Secrets. II–27—100,000—21–5–52.

Development

(1950) Department

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G.O. NO. 5334

Dated 29 12 50

[Despatch Abstract.]

Industries Govt Silk Filatures Kollegal — Audit Report for the period from 1st October 1947 to 31st March 1949 Orders passed

DEVELOPMENT DEPARTMENT

G.O. No. 5334. 29th December 1950

Industries—Sericulture—Government Silk Filatures, Kollegal—Audit Report for the period from 1st October 1948 to 31st March 1949—Orders passed.

READ—the following papers:—

Letter from Sri A. [illegible]KRISHNAN, Accountant-General, Madras, to the Secretary to Government of Madras, Development Department, dated the 6th April 1950; *Fort St. George*, No. O.A. 33 F-50/49-50/725.

[Audit Report on the Accounts of Government Silk Filatures, Kollegal, for the period from 1st October 1948 to 31st March 1949.]

I am to forward herewith for the information and orders of Government, the Audit Report on the accounts of Government Silk Filatures, Kollegal, for the period 1st October 1948 to 31st March 1949.

2. Special attention of Government is invited to paragraphs V, VII and IX of the report.

3. The Audit Report and Accounts may please be got printed and made available to the Public Accounts Committee as in the case of other Government commercial concerns.

4. Copies of the report are being forwarded to the Secretary to the Government of Madras, Finance Department, Director of Industries and Commerce and the Sericultural Expert, Government Silk Filatures, Kollegal, for information and necessary action.

ENCLOSURE

REPORT ON THE AUDIT OF THE ACCOUNTS OF THE GOVERNMENT SILK FILATURES, KOLLEGAL, FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949.

The Government Silk Filatures, Kollegal, which was a State Trading Scheme till 30th September 1948 was treated as a Government commercial concern with effect from 1st October 1948, with reference to the orders contained in Government Memorandum No. 41151-D.I./48-2, Development, dated 12th May 1948. This is the first audit after commercialization.

In addition to a general scrutiny of the documents for the period from 1st October 1948 to 31st March 1949, a detailed audit of the accounts for February 1949 was conducted. The audit for the previous half-year was conducted by the Chief Auditor, State Trading Schemes.

The following documents, duly audited with reference to the initial accounts maintained at the Filatures, are appended to the report:—

(1) Statement of affairs as on 1st October 1948 based on the baland sheet audited by the Chief Auditor, State Trading Schemes.

(2) Manufacturing account of silk for the period 1st October 1948 to 31st March 1949.

(3) Trading account of silk for the period 1st October 1948 to 31st March 1949.

(4) Combined manufacturing and trading account of weaving section for the period 1st October 1948 to 31st March 1949.

(5) Combined profit and loss account (silk and silk fabrics) for the period 1st October 1948 to 31st March 1949.

(6) Balance sheet as on 31st March 1949.

(7) Statement showing monthly consumption of cocoons, wages paid and yield of silk (Annexure A).

(8) Interest calculation sheet (Annexure B).

(9) Statement of land, buildings, plant and machinery, etc. (Annexure C).

(10) Statement of sundry debtors and sundry creditors (Annexure D).

(11) Statement of outstanding liabilities (Annexure E).

(12) Selling rate of silk on 31st March 1949 (Annexure F).

The form in which the initial accounts are mentioned is generally the same as in the other commercial institutions under the Department of Industries and Commerce, adapted with suitable modification with reference to the silk industry. These accounts satisfy, in the main, audit requirements. Suggestions for maintenance of certain additional accounts to facilitate an easy compilation and check of the final accounts in commercial form have been made in the audit notes sent to the Director of Industries and Commerce separately.

II. Manufacturing account.—The details of the manufacturing cost worked out from the accounts now being maintained, exclusive of indirect charges are as below :—

	Output of silk	Cocoon consumed.	Cost of cocoons.	Wages.	Other charges less credits.	Total.	Average cost per lb.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1948–49—	LB.	LB.	RS.	RS.	RS.	RS.	RS.
First half-year ..	14,091	214,614	2,36,249	71,131	..69,409	3,70,789	26·3
Second half-year.	13,293	235,197	2,96,150	55,669	54,220	4,06,039	33·5
For the year 1948–49	27,384	449,811	5,32,399	1,26,800	1,17,629	7,76,828	28·4

The cost during the year under report was Rs. 28 per lb. as against Rs. 27 and Rs. 41 during the years 1947–48 and 1946–47, respectively. A marked increase in the cost of cocoons consumed and a reduced yield during the second half-year due to the poor quality of cocoons account mainly for the increased cost of production. It was explained that, during the second half of the year, the price of cocoons went up due to the increase in the market rate of silk, though the quality which was then available was not of the same standard as that obtained during the first half. Ex-gratia payment of wages to labour in respect of the period of closure from 19th July to 30th September 1948 and the necessary standing maintenance charges incurred during the period from 8th to 31st March 1949 in respect of the further temporary closure of the Filature from 8th March to 16th August 1949 also accounted, to a certain extent, for the increased cost of production. The pay and allowances of the officers and the staff have been allocated between factory overheads and general overheads in the proportion of 2 : 1, with reference to Government Memorandum No. 52347-D-1/47-4, Development, dated 29th July 1947. The charges relating to motor lorry have been allocated in the proportion of 2 : 1 : 1 to cocoons, fuel and carriage outwards, respectively. The cost of production of silk, duppion and silk waste during the second half-year has been allocated in the ratio of 27·34 : 12·22 : 2·00, based on the average selling rates of the various commodities. This apportionment does not appear to be a correct one, in view of the fact that duppion silk and silk waste have to be treated as by-products resulting from the main industry. The correct procedure would appear to be to value the by-products named above at a rate equal to their saleable value in the market, which should be expected to include any incidental expenses connected with their marketing, proportionate labour engaged in waste cleaning, etc., and deduct their value from the total cost of production according to manufacturing account and arrive at the cost of production of the main product, viz , silk.

A statement showing the monthly consumption of cocoons, wages paid and the yield of silk, duppion and silk waste is attached at Annexure A. It will be seen therefrom that the percentage of wages to cocoons consumed was as high as 39 in March 1949. This high percentage was a result of the closure of the Filature from 8th March 1949. The lowest percentage obtained was in November 1948, viz., 20·8 per cent. This was apparently due to the availability of cocoons on a large scale and consequent increased production.

The yield of silk from October 1948 to February 1949 was a little below the normal standard of 5·6 per cent expected from cocoons of standard renditta This was stated to be a result of purchase of cocoons below the

standard renditta in order to keep the filatures running. It was also explained that the purchase of cocoons is usually made only with reference to a visual test of the probable renditta and that a margin has to be allowed for variations in renditta arrived at in actual production.

III. Trading account.—The sales during the year 1948–49 amounted to Rs. 14,55,332 (as per details given below):–

	Rs.
First half	3,06,555
Second half	11,48,777
Total	14,55,332

as against Rs. 7,20,061 and Rs. 21,57,563 during the years 1947-48 and 1946–47. The increase in the sales was due to a good demand for silk produced at the Filatures consequent on the lifting of the controls during the year. A major portion of the stock relating to 1946–47 which was produced at a higher cost has been disposed of during the year.

A sum of Rs. 11,317 has been paid as commission to agents appointed for sale of silk with reference to the orders of Government in G.O. No. 1406, Development, dated 20th March 1948. The system of sale of silk through agents on commission basis is reported to have since been discontinued—vide also paragraph VII infra.

A sum of Rs. 6,617 being the value of stock found deficit during stock verification is included in the value of closing stock, as sanction to the write-off of the value is still awaited. Similarly a sum of Rs. 321 being the value of fabrics lost by theft is also included in the value of closing stock in weaving section as sanction to the write-off is still awaited. It has so far been the practice to value the closing stock of silk at the actual selling rate ruling on last day of the trading period (vide Annexure F). Duppion silk and silk waste, the by-products have been valued at R 10 and Rs. 2 per lb., respectively, which have been fixed as their saleable value. The procedure of valuing the closing stock of silk at selling rate requires, however, to be reconsidered. The correct procedure would be to value the closing stock at the cost of production inclusive of overhead charges as in other commercial concerns, as for example Cinchona, Kerala Soap Institute, etc. The suitability of revising the procedure and to adopt the valuation based on the cost of production may be considered by Government.

IV. Combined manufacturing and trading account of weaving section.—An experimental weaving section was installed in the Filatures as a temporary measure during the year 1947–48 with reference to the orders contained in G.O. No. 3419, Development, dated 25th June 1948. The question of retaining this as a permanent measure and to introduce the working on power-looms is stated to be under consideration. A combined manufacturing and trading account in respect of the weaving section has been prepared. The working of the weaving section during the year has resulted in a profit of Rs. 4,251 in respect of sales to an extent of Rs. 26,355 which has been taken to the main profit and loss account of the Filature as a whole. The profit in respect of this section during 1947–48 was Rs. 1,249 in respect of sales to an extent of Rs. 8,930.

Silk issued to the weaving department has been priced at the ruling selling rates at the time of issue and not on the actual cost of production.

The selling prices of fabrics from the weaving section are so fixed as to allow a flat margin of eight annas per yard to cover incidental expenses and a small margin of profit, in accordance with the orders of the Government in G.O. No. 3419, Development, dated 25th June 1948, as amended by Government Memorandum No. 93082-D1/48-1, Development, dated 13th September 1948. A further addition of fixed rates of Rs. 9 and Rs. 7-4-0 for organzine and tram respectively towards throwing charges has been made to the selling rates of silk, in accordance with the orders of the Director of Industries in his No. 3869-D/46, dated 27th April 1948, reproduced as annexure to the Government Order referred to above. The adequacy or otherwise of this addition will have to be considered by Government while fixing the selling rates of finished fabrics, as this addition appears to be in excess of the actual throwing charges which are stated to be about Rs. 6 per pound. The rates at which issues of silk from stock to the weaving section are to be made will have also to be fixed with reference to the actual cost of production of silk.

V. Financial review.—The working of the Filatures during the half-year under report has resulted in a net loss of Rs. 87,707. The loss for the year as a whole was Rs. 1,35,079 as against Rs. 82,411 in 1947-48. The total sales of silk during the year were 52,630 lb. Out of this about 25,000 lb. relating to stock of 1945-46 and 1946-47 were disposed of during the year at prices lower than their cost of production.

The loss was also to some extent necessarily the result of the closure of the Filatures first from 19th July to 30th September 1948 for nearly two and a half months and again from 8th March 1949, notwithstanding the retrenchments effected, consequent on the closure and reduction in the number of reeling basins gradually as a result of the conservative policy adopted in the stocking of cocoons. As stoppage of work in the Filatures even without payment of any ex-gratia wages to workers has been estimated under existing conditions to involve a loss of Rs. 15,600 per mensem, the desirability of revising the present policy in regard to purchase of cocoons with a view to stocking of requirements, stated to be scientifically possible with the facilities available at present, to enable the continued working of the Filatures during the lean months also, though with reduced number of basins, may be considered as also measures to secure this end.

Further in view of the fact that the "Government Silk Filatures" containing 424 basins are not worked to full capacity—

First half	47,372
Second half	87,707
Total ..	1,35,079

and as the possibilities of utilizing the plant and machinery of the "Kollegal Silk Filatures" which contains 150 basins for production appears to be remote, the question of the disposal of the idle "Kollegal Silk Filature" plant and machinery, etc., may be considered by Government. If the plant and machinery are disposed of, the reduction of the present depreciation and interest charges on a capital of about Rs. 1,05,460 (as on 1st April 1949) will aid to a large extent in the reduction of the present overheads.

	Average active basins.		*Average active basins.*
April 1948	212	October 1948	169
May 1948	147	November 1948	190
June 1948	180	December 1948	165
July 1948	199	January 1949	87·5
August 1948	Nil.	February 1949	86
September 1948	Nil.	March 1949	88

VI. Balance sheet—(i) *Capital.*—The opening capital includes the leave and pensionary contribution, interest and audit fees up to 30th September 1948 capitalized as the concern has been required to be treated as a commercial one.

(ii) *Interest.*—Rs. 21,231. The details of calculation are given in Annexure B.

(iii) *Audit fees.*—Rs. 910. A sum of Rs. 910 representing the audit fee calculated at Rs. 70 per working day for a party of three auditors has been adjusted in the accounts.

(iv) *Direction charges.*—Rs. 2,500-1-0. This is adjusted with reference to Director's letter No. 2629-D-1/48, dated 17th May 1949.

(v) *Assets—Land and buildings.*—Rs. 4,53,814-6-7. A register of fixed assets showing the value of the several assets has not been kept. It is suggested that a register should now be opened and the values of the several assets classified according to land, buildings, plant and machinery, scientific instruments, etc., for which different rates of depreciation have to be allowed, entered therein. A statement showing the details of the values of the several assets as on 31st March 1949 is at Annexure C.

The rates of depreciation now charged in the accounts are based on the orders of the Director of Industries and Commerce in his Memorandum No. 4743-D/45, dated 28th February 1947. The rates of depreciation to be charged to the several assets and the method of charging the depreciation has now to be determined with reference to the procedure obtaining in other commercial concerns.

The amount charged as depreciation includes a sum of Rs. 4,320 towards depreciation of the assets of the "Kollegal Silk Filatures" taken over by Government.

In his letters No. 1738-D-1/48, dated 23rd April 1949 and No. 2062-D-1/49, dated 13th November 1949, the Director of Industries and Commerce has addressed the Government for the creation of a profit reserve account and depreciation reserve fund. Pending final orders of Government, depreciation has been charged in the profit and loss account by credit to various assets. The profits accrued up to 1946-47 were Rs. 6,76,396 and losses during 1947-48 and 1948-49 were Rs. 2,17,490. The net profit shown in the balance sheet is the amount arrived at after adjusting the losses from the profits to end of 1946-47.

(vi) *Sundry debtors and sundry creditors.*—A statement showing the details for the above are given in the statement, Annexure D.

(vii) *Stock in process.*—Rs. 2,351-3-9. This represents value of the stock in the weaving section as estimated by the Sericultural Expert.

(viii) *Cash on hand.*—Rs. 9,440-0-1. This represents the sum total of the balances held in office as well as the advances held by the Market Officers.

VII. Contract for sale of Government silk by agency system.—In connexion with the sale of Japanese silk allotted by the Government of India to this Province, it was decided to include in the agency system the sale of silk produced at Government Filatures, also. The accepted tenders stipulated, among other terms, that the minimum sale of silk per month should be 3,000 lb. and the payment of a commission of 1 per cent on sales by the

agents. The tenders of the three applicants noted below were accepted in Director's letter No. 6101-D/47, dated 20th May 1949, subject to the execution of an agreement by each of them:—

Messrs. Donti Venkatesiah Chetty & Co., Messrs. V. K. Srinivasa Setty & Co. and Messrs. E. V. Parasiva Murthy & Co.

It appears to have been subsequently agreed to modify the terms as under:—

(i) The minimum monthly sales should be based on a monthly *average* sale of 3,000 lb. of silk or minimum of 36,000 lb. per year; and

(ii) that the agents should also be given the commission of 1 per cent on sales effected direct by Government without the intervention of the agents (vide letter, dated 10th July 1948, from Donti Venkatesiah Chetty on pages 15 and 16 of file).

These terms were embodied in a draft agreement which was sent to the three selected agents (who had already commenced to function) with letter No. 4059-D-1/48, dated 20th November 1948. The agreements were not, however, executed even as late as 5th April 1949, when it was decided to terminate the agency system as no longer necessary, by giving three months' notice as provided for in the draft agreement and no further action was taken for finalizing the agreement. In this connexion it was also held in consultation with the Government Solicitor that the agency were not entitled to the commission on sales by the department (vide Director's letter No. 4059-D-1/48, dated 30th May 1949 and Government Solicitor's opinion in his letter No. 2217, dated 15th June 1949 and subsequent correspondence). As the Director held that he had not contracted to the payment of this commission, commission outstanding payment at the time, amounting to Rs. 424-13-0 as under, was withheld:—

Name of agent.	Period of sale by department.	Amount of commission. Rs. A. P.	Rs. A. P.
1 Donei Venkatesiah Chetty ..	10th February to 24th March 1949	271 12 0	
2 G. Parasiva Murthy & Co.	28th February 1949 ..	30 0 0	153 1 0
	17th to 29th March 1949 ..	123 1 0	
	Total ..	424 13 0	

The following payments already made (vide letter No. 2482-C/49, dated 7th September 1949, from the Sericultural Expert) should, therefore, be recovered from the parties or otherwise regularized by Government:—

Name of agent.	Period of sale by department.	Amount of commission. Rs. A. P.	
1 Donti Venkatesiah Chetty ..	30th August to 3rd October 1948 ..	115 3 0	(Vr. 232 of 11/48).
	22nd November to 15th December 1948 ..	672 5 0	(Vr. 80 of 1/49).
	7th January 1949	120 1 0	(Vr. 76 of 2/49).
2 G. Parasiva Murthy & Co.	18th November to 13th December 1948	445 8 0	(Vr. 63 of 1/49).
	24th January 1949 ..	15 4 0	(Vr. 73 of 2/49).
	Total ..	1,368 5 0	

VIII. Losses in the process of cleaning, winding, bleaching, etc.—It was explained that no orders fixing the maximum percentage of loss that would occur in the process of drying the cocoon, cleaning, winding and bleaching silk have been issued. It was, however, reported that the following are the normal percentages of loss:-

		Per cent
1	Loss in drying cocoons	9
2	Loss in cleaning silk	1
3	Loss in winding silk	1
4	Loss in bleaching—Good silk	22 to 25
	Sub-standard silk	28
	Duppion silk	30 to 35

In order to ensure that there are no abnormal wastages in these processes, it is desirable that orders are issued fixing a maximum percentage for these losses.

IX. Cost accounts.—No process cost accounting is maintained to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling, (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc., and (4) cost of silk made into organzine and tram for weaving purposes, etc. An efficient costing system will, if introduced, enable the administration to detect any leakages and idle time. For this purpose, the factory overheads may be distributed in proportion to the direct labour employed in each process. It is, therefore, suggested for consideration whether process costing cannot be introduced in the factory and if Government approve, orders may kindly be issued for their maintenance and the method to be adopted for the distribution of factory over heads.

X. Subject to the remarks mentioned above, I certify that I have obtained all the information and explanations that I have required and that the balance sheet signed by me as relative hitherto exhibits a true and correct view of the state of affairs of the Government Silk Filatures, Kollegal, as on 31st March 1949.

R. S. Ramamurthi,
Assistant Accounts Officer.

K. Vaidyanathan,
Examiner (Outside Audit).

GOVERNMENT SILK FILATURES, KOLLEGAL.

Statement of Affairs as on 1st October 1948.

		Debit.			Credit.		
		Rs.	A.	P.	Rs.	A.	P.
1	Capital	..			12,27,070	4	5
2	Leave and pensionary contribution	..			21,040	15	8
3	Interest	..			1,71,535	15	6
4	Audit fees	..			3,606	5	0
5	Outstanding liabilities	..			44,165	14	8
6	Sales tax payable up to 30th September 1948	..			1,543	7	8
7	Security deposits	1,300	0	0	1,300	0	0
8	Sundry creditors	..			894	9	0
9	Net profit	..			5,46,613	7	7
10	Land, buildings, plant and machinery, furniture, etc.	4,49,358	9	7			
11	Finished products	14,76,298	6	10			
12	Raw materials—						
	Good cocoons	16,806	5	0			
	Rat eaten	590	11	4			
		17,397	0	4			
13	Fuel	3,950	1	6			
14	General stores	39,764	15	6			
15	Gold thread	67	10	0			
16	Petrol	835	3	0			
17	Postage stamps	186	9	6			
18	Sundry debtors	28,794	15	9			
19	Stock in process	4,138	6	8			
20	Cash balance	4,358	0	4			
21	Loss by theft of fabrics	321	0	6			
		20,17,770	15	6	20,17,770	15	6

A. SILK.

MANUFACTURING ACCOUNT FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949.

R

Dr.

	Rs.	A.	P.	Rs.	A.	P.
To Raw materials consumed—						
Cost of cocoons	2,89,694	0	7			
Add—Conveyance charges	5,556	14	4			
Other incidental charges ..	898	3	9			
				2,96,149	11	8
„ Cost of fuel consumed (firewood and coal).	2,621	6	6			
Add—Conveyance charges	2,778	7	2			
				5,399	13	8
Cost of power consumed	2,805	1	2			
				2,805	1	2
„ Cost of general stores consumed including freight, etc.	..			1,329	6	8
„ Wages—Labourers	55,668	14	5			
				55,668	14	5
Factory staff (including pay of electrician).	18,833	8	0			
	1,519	12	8			
Officers and office staff	5,296	4	0			
				25,649	8	8
„ Maintenance of boiler and machinery.	1,153	11	9	1,153	11	9
Do. buildings.	979	9	1	979	9	1
„ Depreciation of factory buildings, plant, etc.	15,698	0	0	15,698	0	0
„ Other miscellaneous expenditure (taxes, etc.)	1,641	12	4			
				1,641	12	4
				4,06,475	9	5

Cr.

	Rs.	A.	P.
By Sale of dead pupæ ..	436	15	0
„ Value of finished products transferred to trading account—			
(i) Silk lb. 11,790-0¼	3,65,252	0	10
(ii) Duppion lb. 1,502-14	20,810	1	4
(iii) Silk waste lb. 8,814-12	19,976	8	3
	4,06,475	9	5

Dr. TRADING ACCOUNT FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949. Cr.

	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
To Opening Stock—							By Sale of—							
Silk lb. 44,866–7½ ..	13,18,910	8	0				Silk lb. 40,190–8½	11,17,902	13	4				
Duppion lb. 4,178–5.	47,783	2	0				Duppion lb. 1,255–0	15,291	11	3				
				13,66,723	10	0					11,33,194	8	7	
Silk waste lb. 47,960–8				95,921	0	0	,, Silk issued to weaving section lb. 457–0¼.	..			15,582	8	11	
Kilchas				13	7	0	,, Closing stock—							
Throwsters waste				54	0	0	Silk lb. 16,763–3	5,11,288	8	2				
,, Production—							Duppion lb. 5,043–11¼ ..	50,437	0	0				
Silk lb. 11,790–0½				3,65,252	0	10	Silk waste lb. 56,664–0 ..	1,13,328	0	0				
Duppion lb. 1,502–14				20,810	1	4	Kilchas	13	7	0				
Silk waste lb. 8,814–12				19,976	8	3	Throwsters waste	54	0	0				
											6,75,120	15	2	
				4,06,038	10	5	,, Value of stock to be written off..	..			6,616	9	9	
,, Packing materials				1,414	6	2	,, Gross loss	..			54,664	12	1	
Deduct—Credit				— 418	8	0								
				995	14	2								
,, Carriage outwards				3,431	2	11								
,, Agents' commission				11,317	8	0								
,, Postal insurance charges.. ..				696	6	0								
Deduct—Credit				— 12	4	0								
				684	2	0								
				18,85,179	6	6					18,85,179	6	6	

B. SILK FABRICS.

COMBINED MANUFACTURING AND TRADING ACCOUNT OF THE WEAVING SECTION FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949.

Dr. Cr.

	Rs.	A.	P.	Rs.	A.	P.		Rs.	A.	P.	Rs.	A.	P.
To Opening stock—							By sale of fabrics				15,879	0	6
Fabrics				13,586	5	10	,, Closing stock of fabrics manufactured.	22,231	5	6			
Yarn (silk)				4,132	10	9	,, Gudiyatham	379	13	0			
Gold lace				5	11	11							
				17,724	12	6	,, Silk in Weaving section and on looms.	2,341	3	9	22,611	2	6
,, Silk obtained from Silk section.				15,582	8	11	,, Gold thread in Weaving section and looms.	10	0	0			
,, Gold and silver lace obtained from stores.				742	0	0					2,351	3	9
,, Bleaching, weaving, etc., charges.				4,605	5	9							
,, Stores consumed				63	6	3							
,, Gross profit				2,123	5	4							
				40,841	6	9					40,841	6	9

SILK AND SILK FABRICS.

Combined Profit and Loss Account for the period from 1st October 1948 to 31st March 1949.

Cr.

	Rs.	A.	P.
To Gross loss from Trading Account—Silk	54,664	12	1
„ Pay and allowances of officers and establishment	2,648	1	0
„ Maternity benefit	387	8	0
„ Medical aid	729	13	11
„ Postage	535	11	6
„ Stationery	111	8	6
„ Office contingencies	51	15	0
„ Property-tax (other than factory buildings)	475	7	0
„ Books and periodicals	13	15	0
„ Advertisements	299	2	8
„ Exhibition expenses	604	1	0
„ Repairs to cycles	20	8	9
„ Depreciation other than factory	3,012	0	0
„ Leave and pensionary contribution	3,107	6	4
„ Direction charges	2,500	1	0
„ Interest on capital	21,231	0	0
„ Audit fee	910	0	0
„ Electric consumption charges	311	10	10
„ Maintenance of electrical installation	168	13	10
„ Maintenance of creche	370	3	0
„ Write-off value of cocoons	435	6	4
Total	92,589	1	9

Dr.

	Rs.	A.	P.
By Profit from weaving section	2,123	5	4
„ Rent	2,098	9	0
„ Sale of fuel chips	65	2	0
„ Other miscellaneous items	594	11	1
„ Net loss	87,707	6	4
Total	92,589	1	9

Balance Sheet as on 31st March 1949.

Capital and liabilities.

	Rs.	A.	P.	Rs.	A.	P.
Capital as per statement of affairs on 1st October 1948.	12,27,070	4	5			
Add—Leave and pensionary contribution up to 30th September 1948 (Capitalized).	21,040	15	8			
Interest up to 30th September 1948 (Capitalized).	1,71,535	15	6			
Audit Fee up to 30th September 1948 (Capitalized).	3,606	5	0			
				14,23,253	8	7
Add—Cheques drawn	4,67,312	0	4			
General Provident Fund deductions.	750	0	0			
Income-tax	28	8	0			
Debit adjustments by Accountant-General and Sericultural Expert.	21,307	15	8			
Leave and pensionary contribution from 1st October 1948 to 31st March 1949.	3,107	6	4			
Interest from 1st October 1948 to 31st March 1949.	21,231	0	0			
Audit fees from 1st October 1948 to 31st March 1949.	910	0	0			
Direction charges from 1st October 1948 to 31st March 1949.	2,500	1	0			
				5,17,146	15	4
				19,40,400	7	11

Property and assets.

	Rs.	A.	P.	Rs.	A.	P.
Land, buildings, plant and machinery, etc. (statement attached).	4,49,358	9	7			
Add—Additions during the year ..	23,315	13	0			
	4,72,674	6	7			
Deduct—Depreciation and disposals.	18,860	0	0			
				4,53,814	6	7
Finished products—						
Silk lb. 16,763-3	5,11,288	8	2			
Duppion lb. 5,043-11¼	50,437	0	0			
Silk waste lb. 56,664-0	1,13,328	0	0			
Kilchas	13	7	0			
Throwsters waste	54	0	0			
				6,75,120	15	2
Fabrics—				22,611	2	6
Loss of fabrics and silk to be written off.	321	0	6			
Raw materials—	6,616	9	9			
				6,937	10	3
Good cocoons	2,544	11	11			
Rat-eaten cocoons	282	8	0			
Gold and silver lace	250	0	0			
				3,077	3	11
Other stores—						
Fuel	6,908	9	0			
Coal	1,966	0	0			
Petrol	116	13	0			
Miscellaneous stores	34,007	11	9			
				42,999	1	9
Sundry debtors				27,983	5	9
Service postage				250	14	0
Security deposits as per contra ..				450	0	0

Balance sheet as on 31st March 1949—*cont.*

Capital and liabilities.						Property and assets.					
Deduct—						Stock in process—					
	Rs.	A.	P.	Rs.	A. P.		Rs.	A.	P.	Rs.	A. P.
Remittance into Treasuries ..	12,31,905	13	4			Silk	2,341	3	9		
Sales tax	— 19,081	8	4			Gold lace	10	0	0		
	12,12,824	5	0							2,351	3 9
Credit adjustments	1,084	6	6			Tax paid in advance for 1949-50 ..				233	0 0
Payments on behalf of other departments.	392	14	0			Closing cash balance				9,440	0 1
General Provident Fund withdrawals.	144	0	0								
				12,14,445	9 6						
Closing capital				7,25,954	14 5						
Liabilities—											
Outstanding liabilities as per statement attached.		..		15,683	11 7						
Sundry creditors		..		43,983	5 6						
Sales tax payable		..		290	15 0						
Security deposits		..		450	0 0						
Net profit to end of 30th September 1948.	5,46,613	7	7								
Deduct—Net loss from 1st October 1948 to 31st March 1949.	87,707	6	4								
				4,58,906	1 3						
				12,45,268	15 9					12,45,268	15 9

ANNEXURE A

STATEMENT SHOWING MONTHLY CONSUMPTION OF COCOONS, WAGES PAID, AND YIELD OF SILK AND SILK WASTE.

Month.	Cocoons consumed.	Wages pal	Percentage of wages to cocoons consumed.	Silk produced.	Durpion silk produced.	Silk waste produced.	Percentage of silk produced to cocoons used.	Percentage of durpion silk produced to double cocoons used.	Percentage of silk waste produced to cocoons used.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	LB. OZ.	RS.		LB. OZ.	LB. OZ.	LB. OZ.			
October 1948	44,072 0	11,764	25·21	2,457 15½	223 10¾	1,706 0	5·58	8·64	3·66
	2,588 8								
November 1948	62,602 4	14,175	20·80	3,444 4½	481 2½	2,529 8	5·50	8·69	3·71
	5,538 0								
December 1948	53,230 8	13,107	22·67	2,888 11¼	398 5½	2,091 0	5·43	8·69	3·62
	4,583 0								
January 1949	24,088 14	7,128	27·08	1,249 6¼	222 4¾	927 8	5·18	9·05	3·53
	2,234 0								
February 1949	28,049 8	7,126	23·82	1,428 8½	143 6½	1,205 0	5·09	7·68	4·03
	1,866 0								
March 1949	5,981 4	2,513	39·61	321 2	34 0	355 12	5·95	9·37	5·61
	363 0								
Total ..	235,196 14	55,813*		11,790 0¼	1,502 14	8,814 12			

Remarks—Column (2).—The first line against each month represents good and flimsy cocoons used and the second line represents double cocoons used.

* The difference of Rs. 144 between this figure and the figure in the Manufacturing Account is due to credit having been taken in the latter for the cost of labour supplied to other departments.

ANNEXURE B.

CALCULATION OF INTEREST CHARGES FOR THE PERIOD

1ST OCTOBER 1948 TO 31ST MARCH 1949

	Rs. A. P.	Rs. A. P.
Capital from statement of affairs		12,27,070 4 5
Add—		
Leave salary and pensionary contribution up to 30th September 1948.		21,040 15 8
Interest		1,71,535 15 6
Audit fees		3,606 5 0
		14,23,253 8 7
Cheques drawn	4,67,312 0 4	
General Provident Fund	750 0 0	
Income-tax	28 8 0	
Debit adjustments	21,007 15 8	
Amount drawn by Sericultural section	300 0 0	
Leave salary and pensionary contribution	3,107 6 4	
Audit fees	910 0 0	
Opening balance, cash	4,538 0 4	
Direction charges	2,500 1 0	
		5,00,453 15 8
		19,23,707 8 3
Deduct—		
Remittance	12,31,905 13 4	
Sales-tax paid	19,081 8 4	
	12,12,824 5 0	
Credit adjustments	1,084 6 6	
Payments on behalf of other departments ..	392 14 0	
General Provident Fund withdrawals	144 0 0	
Closing cash balance	9,440 0 1	
		12,23,885 9 7
Closing capital without interest		6,99,821 14 8
Interest on Rs. 14,23,253 at 4 per cent for half year.		28,465 0 0
Interest on mean capital $\frac{6,99,822 \textit{ minus } 14,23,253}{2}$ —		7,234 0 0
or on Rs. — 3,61,761 at 4 per cent for half-year.		
		21,231 0 0

ANNEXURE C.

STATEMENT OF LAND, BUILDINGS, PLANT AND MACHINERY, ETC.

Particulars. (1)	Value of asset as on 1st October 1948. (2)	Additions. (3)	Credits (4)	Net total. (5)	Depreciation for the period from 1st October 1948 to 31st March 1949. (6)	Depreciated value of asset as on 31st March 1949. (7)
	RS. A. P.	RS. A. P.	RS.	RS. A. P.	RS. A. P.	RS. A. P.
Land	9,171 1 7	..	..	9,171 1 7	..	9,171 1 7
Main building	42,683 14 3	..	..	42,683 14 3	1,601 0 0	41,082 14 3
Cocoon storage	32,145 12 6	2,673 2 0	..	34,823 15 6	1,256 0 0	33,567 15 6
Silk examining and packing room	5,158 1 6	..	..	5,158 1 6	194 0 0	4,964 1 6
Manager's quarters	5,937 8 9	..	..	5,937 8 9	74 0 0	5,863 8 9
Masonry drains	2,406 2 9	..	..	2,406 2 9	90 0 0	2,316 2 9
General stores and workshops	1,657 12 7	..	..	1,657 12 7	62 0 0	1,595 12 7
Boiler room	2,018 4 0	..	..	2,018 4 0	75 0 0	1,943 4 0
Office building	31,096 9 3	..	..	31,096 9 3	1,166 0 0	29,930 9 3
Chowkidars' quarters	1,313 6 2	..	..	1,313 6 2	49 0 0	1,264 6 2
Latrines and urinals for work people	2,083 15 1	..	..	2,083 15 1	78 0 0	2,005 15 1
Roads and culverts	1,807 12 6	..	..	1,807 12 6	68 0 0	1,739 12 6
Compound wall and gate	1,318 15 8	..	..	1,318 15 8	49 0 0	1,269 15 8
Double garage	798 1 1	..	..	798 1 1	30 0 0	768 1 1
Quarters for Technical Expert	6,410 3 6	..	..	6,410 3 6	80 0 0	6,330 3 6
Lunch shed	3,801 13 5	..	..	3,801 13 5	142 0 0	3,659 13 5
Service reservoir	1,457 4 4	..	..	1,457 4 4	55 0 0	1,402 4 4
Servants' quarters	730 3 2	..	..	730 3 2	27 0 0	703 3 2
Latrines for staff	626 7 0	..	..	626 7 0	23 0 0	603 7 0
Saraswathi Bai Colony	28,122 11 10	..	..	28,122 11 10	352 0 0	27,770 11 10
Reeling basins and machinery	1,11,749 5 6	779 11 0	..	1,12,529 0 6	6,728 0 0	1,05,801 0 6
Tools and equipment	32,592 4 4	..	..	32,592 4 4	1,956 0 0	30,636 4 4
Boilers	30,987 4 7	..	..	30,987 4 7	1,549 0 0	29,438 4 7
Station wagon	553 9 1	..	..	553 9 1	68 0 0	485 9 1
Steam and water pipe connexions	24,962 10 10	..	..	24,962 10 10	1,498 0 0	23,464 10 10
Stilling chamber	290 15 0	..	..	290 15 0	11 0 0	279 15 0
Furniture in Technical Expert's quarters	427 7 5	..	..	427 7 5	13 0 0	414 7 5
Water-supply—Sinking and bore-well	4,339 13 7	..	..	4,339 13 7	130 0 0	4,209 13 7
Furniture in Manager's quarters	445 4 7	..	..	445 4 7	13 0 0	432 4 7
Ford trucks	2,607 1 4	..	..	2,607 1 4	326 0 0	2,281 1 4
Sechoir	9,091 7 8	..	..	9,091 7 8	450 0 0	8,641 7 8
Bullock	201 15 3	..	150	141 15 3	..	141 15 3
Furniture at Kollegal Silk Filatures	3,054 10 3	..	..	3,054 10 3	92 0 0	2,962 10 3
Cart	381 14 2	..	..	381 14 2	23 0 0	358 14 2

STATEMENT OF LAND, BUILDINGS, PLANT AND MACHINERY, ETC.

Particulars.	Value of asset as on 1st October 1948.	Additions	Credits.	Net total.	Depreciation for the period from 1st October 1948 to 31st March 1949.	Depreciated value of asset as on 31st March 1949.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs. A. P.	Rs. A. P.	Rs.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Radio sets	105 8 8	..	..	105 8 8	6 0 0	99 8 8
Seriplane and board	126 2 6	..	..	1,126 2 6	70 0 0	1,056 2 6
Denier scale	29 3 9	..	..	29 3 9	2 0 0	27 3 9
Serimeter	156 1 3	..	..	156 1 3	9 0 0	147 1 3
Denier testing machines	172 14 9	..	..	172 14 9	10 0 0	162 14 9
Silk throwing plant	2,121 8 7	..	..	2,121 8 7	74 0 0	2,047 8 7
Trailor pump	3,052 4 3	..	..	3,052 4 3	153 0 0	2,599 4 3
Electrification	26,705 10 0	..	..	26,705 10 0	.. ..	26,705 10 0
Establishment charges	2,812 9 0	..	..	2,812 9 0	.. ..	2,812 9 0
Handloom, first set	478 5 10	..	..	478 5 10	14 0 0	464 5 10
Handloom, second set	874 7 6	..	..	874 7 6	26 0 0	848 7 6
Scientific instrument	304 15 9	..	..	304 15 9	18 0 0	286 15 9
Books and publication	88 0 3	..	..	88 0 3	.. ..	88 0 3
Silk waste godown	8,809 0 0	19,858 0 0	..	28,667 0 0	.. ..	28,667 0 0
Total ..	4,49,358 9 7	23,315 13 0	150	4,72,524 6 7	18,710 0 0	4,53,814 6 7

ANNEXURE D.

SUNDRY DEBTORS' ACCOUNT AS ON 31ST MARCH 1949.

		RS.	A.	P.	Ledger folio.
1	Secretary, Staff Association	9	8	0	28
2	Sri A. T. Janakiraman	178	14	9	107
3	Principal, Agricultural College, Bapatla	12	1	0	15
4	Mr. Peychand	658	7	0	15
5	Mr. Jesudass	19	8	0	16
6	Sri Meenakshi Ayyar	0	4	6	16
7	Staff	0	15	0	16
8	Mr. Imam Khan	15	10	0	17
9	Market Officer	70	0	0	17
10	Assistant Sericultural Expert (2)	13	9	0	13
11	Sericultural Expert	1,090	2	6	3
12	Government Silk Filature labourers	48	6	0	59
13	Sri V. Govindan	78	4	0	11
14	Sri V. A. Kannan	44	9	6	19
15	Secretary, Silk Filature Employees' Co-operative Stores.	307	8	0	50
16	Messrs. G. V. Parasiva Murthy & Co.	24,864	6	0	141
17	Sri Vivekananda Murthy	152	8	0	..
18	The Deputy Director, Vocational Training Centre.	133	7	0	56
19	Government Silk Filature staff	40	8	0	61
20	Sri T. A. Atmarama Rao	9	4	6	110
21	Sri N. K. Gururajan	23	1	0	118
22	Mrs. Animuthu	2	9	0	119
23	Mr. Mahadeva Ayyar	4	8	0	110
24	Sri Govindan Nair	8	15	0	30
25	Sri Chick Linga	38	0	0	170
26	Sri Mada Setty	18	12	0	109
27	Sri Nirmal Chand	9	11	0	125
28	Sri Mallaraj Urs	76	0	0	125
29	Sri Narayanaswami	0	9	0	125
30	Sri Gnanaprakash	3	8	0	..
31	Sri M. Nagappa	50	0	0	90
		27,983	5	9	

SUNDRY CREDITORS.

1	Donti Venkatesiah Setty Company	42,023	4	0	33
2	K. R. T. Narasimha Ayyar	503	13	6	28
3	South Indian Silks, Gudiyattam	177	8	0	48
4	Sunderraj Textiles	51	8	0	20
5	Vasantlal Balubhai Reshamdalal	124	15	0	22
6	Kabadi Shankarsa	84	0	0	22
7	Coimbatore Spinning and Weaving Company	12	9	0	23
8	Varadarajulu Ayyar	5	12	0	24
		43,983	5	6	

ANNEXURE E.

Outstanding Liabilities as on 31st March 1949.

	Rs.	A.	P.
Cocoons	4,293	15	5
Stores	947	12	8
Electric current charges	703	9	6
Pay of officers	276	0	0
Pay of establishment	3,787	10	0
Fuel and splitting charges	574	1	0
Alta winding charges and stitching charges ..	87	6	0
Doctors' fees	6	0	0
Insurance charges	43	10	0
Miscellaneous, including direction charges for 1948–49 (first half).	4,339	6	0
	15,042	6	7
Wages	641	5	0
	15,683	11	7

ANNEXURE F

Statement showing the rates of silk (selling rate) adopted for working out the closing value as on 31st March 1949.

Silk.	Denier.	Ordinary per lb. Rs.	A.	P.	Re-reeled per lb. Rs.	A.	P.	
	24/28	28	8	0	30	8	0	Sanctioned in Director's
....	20/22	29	8	0	31	8	0	Memorandum No. 6674-
....	13/15	30	4	0	32	4	0	D-1/48, dated 23rd
....	9/11	31	4	0	33	4	0	December 1948.
Sub-standard silk	..	15	0	0	Rates adopted.			
Duppion silk	..	10	0	0	by Agricul-			
Silk waste	..	2	0	0	tural Expert.			

II

Letter from Sri M. T. Raju Bar-at-law I.C.S., Director of Industries and Commerce, Madras, to the Secretary to Government, Development Department, Madras, dated 24th July 1950, No. 2123-D-1/49.

[Audit Report on the accounts of the Government Silk Filatures, Kollegal, for the period from 1st October 1948 to 31st March 1949. *Reference.*—Letter No. O.A. 33-F-50/49-50/725, dated 6th April 1950. from the Accountant-General addressed to Government.]

The following remarks are offered on the various objections detailed in the audit report :—

Paragraph I.—The suggestions made in the audit notes sent to me separately for the maintenance of certain additional accounts are being examined in consultation with the Accountant-General and action will be taken early.

Paragraph II.—*Manufacturing account.*—The apportionment of cost of manufacture of raw silk, Duppion and silk waste in the ratio of 27·34 : 12·22 : 2·00 in the manufacturing account was made in line with the suggestion previously made by the Chief Auditor, State Trading Schemes. I have no objection to follow the procedure now suggested by the Accountant-General, i.e., to value the bye-products (Duppion silk and silk waste) at this average selling rates and to treat the balance of expenditure as cost of production of raw silk. If Government agree, the procedure will be adopted from the year 1949–50 onwards.

Paragraph III—Trading account.—As the sound and correct method with regard to the basis of valuation of stock-in-trade and which has been generally accepted by all, is to value the stocks at all-in-cost of production or simply designated as "cost" or market prices, whichever is lower, on the date of stock-taking, I suggest that this method may be ordered to be adopted as Audit can have no objection to the procedure being adopted. A sound policy is always to estimate the cost or market value on a most conservative basis as otherwise we may be reckoning on unrealized profits.

Paragraph IV—Silk issued to weaving section.—As the weaving section is worked on an experimental basis only and as our main scheme is production of raw silk, the procedure adopted at present in regard to transfer of raw silk to the weaving section on the selling or market rates on the date of issue may be allowed to be continued till the weaving section is established on a permanent footing. In respect of the twisting charges, viz., Rs. 9 and Rs. 7-4-0 per lb. the position has been since examined after the installation of the twisting plant at the Government Silk Filature and as it was found that the actual twisting charges work out to only Rs. 7 and Rs. 2-5-0 for organzine and tram silk respectively. I have permitted the Sericultural Expert to adopt the latter rates.

Paragraph V—Financial review.—The year 1948-49 was perhaps the worst period for the filature industry in India when it suffered most due to terrible slump in the silk market caused by large scale imports of foreign silk at ridiculously low prices. As pointed out by audit, about 25,000 lb. of silk had to be sold during the year at prices lower than the cost of production. In spite of this, the stocks held at the filature were still heavy and as there was no indication as to the future import policy to be followed by the Government of India, we had necessarily to take a conservative policy in the purchase of cocoons. Looking back, at the state of affairs then existing, I feel that the purchase policy adopted was fully justified as it resulted in limiting the losses to the minimum. It may be mentioned in this connexion for the information of Government that the contemporary filatures in Mysore State are reported to have suffered much severe losses during the period.

In regard to the Accountant-General's suggestion for the disposal of the idle "Kollegal Silk Filature" plant and machinery, I have only to state that the present unsatisfactory state of affairs may be only a temporary phase and that when the position improves it may be possible to run this filature also or to utilize it for other purposes, viz., for locating the weaving factory, etc. It is very undesirable as we have so often maintained in arguing the case filed by the old Kollegal Silk Filatures, Limited, to sell the Kollegal silk filature to a private party and allow it to be worked as the resulting rivalry will only prove ruinous. The buildings are at present being utilized to house some of the offices of the subordinates of the Sericultural Expert, Kollegal, for the storage of grains by the Kollegal Co-operative Stores, etc., and some revenue is being realized. The position will, however, be watched for two years and action taken if it becomes necessary to dispose off the Kollegal silk filature.

Paragraph VI—Balance sheet.—The Sericultural Expert has been asked to open and maintain a register of fixed assets as suggested by the Accountant-General as from 1st April 1950. The rates of depreciation charged for the buildings, plant and machinery in the filature are based on

the rates prescribed in the Income-tax Manual, 1946 edition and agreed to by the Chief Auditor, State Trading Schemes, who audited the accounts of the filatures so far. The Accountant-General, Madras, has raised a similar objection in the audit report relating to the Kerala Soap Institute, Kozhikode. I shall examine the position with reference to the procedure obtaining in other commercial concerns under this department and in consultation with the Accountant-General and revise the rates and the method of charging depreciation, if found, necessary.

Paragraph VII—Contract for sale of Government silk by agency system.—The agents are really entitled to the commission on the sales of silk done directly by the department also as per terms of the draft agreement (this is in line with the practice followed in the Kollegal Silk Institute and the Government Oil Factory, Kozhikode) and the Sericultural Expert allowed them commission on such sales till he was told not to do so following the decision not to get the agreements executed. The finalization of the agreement in consultation with the Government Solicitor took a long time and as most of the silk had been sold by them, it was felt no useful purposes would be served in getting the agreements executed. As the commission paid to the agents by the Sericultural Expert was based on the assumption that the agreement would be duly executed, I request that the payments made may kindly be regularized by Government by according sanction to the expenditure of Rs. 1,368-5-0.

Paragraph VIII—Losses in the process of cleaning, winding, bleaching, etc.—The Sericultural Expert has already been conducting experiments since sometime now to assess the percentage of loss in the various processes pointed out by audit and I have already approved the following percentages:—

	Maximum loss.
	Per cent.
(1) Loss in drying of cocoon	9·2
(2) Loss in cleaning silk	1
(3) Loss in winding silk	1

In regard to the maximum loss that may be allowed in bleaching silk, orders will issue very early.

Paragraph IX—Cost accounts.—The Sericultural Expert, Government Silk Filatures, Kollegal, has explained that if the costing system as described by the Accountant-General to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling, (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc. should be introduced, it is necessary that a separate cost accountant has to be appointed for the purpose. He further reports that it is not necessary now that this system should be introduced as we are concerned with the problem of devising ways and means for effecting a continuous working of the filature without any interruption and that when this has been satisfactorily solved, the suggestion of the auditors for introducing a cost system of accounts in the filature may be considered. I agree with the views of the Sericultural Expert, Government Silk Filatures, Kollegal, and suggest that the question may be deferred.

III

Memorandum No. 31371, MI/50-2, Development, dated the 5th August 1950.

[Industries—Sericulture—Government Silk Filatures, Kollegal—Audit Report of the Filatures for the period from 1st October 1948 to 31stMarch 1949. *Reference.* From the Director of Industries and Commerce, letter, dated the 24th July 1950, No. 2123-DI/49.]

The attention of the Director is invited to the paragraph III of the audit report and he is requested to offer his remarks on the observations of the Accountant-General regarding the value of stock of silk found deficit during stock verification and value of fabrics lost by theft.

2. The Director is also requested to state the basis on which Rs. 7 and Rs. 2-5-0 were fixed as charges for twisting and for organzine and tram silk, respectively.

R. Koteswara Rao,
Deputy Secretary to Government.

To the Director of Industries and Commerce, Madras.

IV

Memorandum No. 31371, MI/50-5, Development, dated 23rd August 1950.

[Accounts—Audit Report on the accounts of the Government Silk Filatures, Kollegal, for the period from 1st October 1948 to 31st March 1949—Remarks. *Reference.*—From the Director of Industries and Commerce, dated 24th July 1950, letter No. 2123-DI/49.]

Paragraph I—Regarding maintenance of accounts.—The Director is requested to take action early on the suggestions made by the Accountant-General in the audit notes sent to him for the maintenance of certain additional accounts and to submit a report to the Government.

Paragraph IV—Regarding transfer of silk to weaving section.—In the case of closing stock, the suggestion of the Accountant-General is to value the stock on the basis of the cost of production instead of at the actual selling rate ruling on the last day of the trading period. In regard to silk issued from stock to the weaving section also, the Accountant-General suggests that the rate should be fixed with reference to the actual cost of production of silk. The Director suggests that the present practice of valuing the silk issued to the weaving section at the selling or market rates ruling on the date of issue till the weaving section is made permanent. The Director is requested to state clearly what difficulties will arise, if the Accountant General's suggestion is given effect to while the weaving section is yet temporary.

Paragraph V—Financial review.—While discussing the reasons for the loss incurred by the filatures during the half year under report, the Accountant-General has raised the question of desirability of revising the present policy in regard to purchase of cocoons for stocking to enable the continued working of the filatures during the lean months also. The Director is requested to offer his specific remarks on the suggestion.

Paragraph VI—Assets—(v)—Land and buildings.—The Director is requested to intimate to the Government the action taken by him in regard to the suggestion that a register should be opened and the value of

the several assets for which different rates of depreciation have to be allowed entered therein and that the rates of depreciation to be charged to several assets and the method of charging the depreciation may be determined now.

Paragraph VII—Contract for sale of Government silk by agency system.—The Director is requested to state whether the draft agreements were prepared in consultation with the Government Solicitor in the first instance and if not, why it was not done so.

Paragraph VIII—Losses in the process of cleaning, etc.—The Director is requested to issue early orders in regard to the percentage of loss in bleaching silk and intimate the fact to the Government.

R. Koteswara Rao,
Deputy Secretary to Government.

To the Director of Industries and Commerce, Madras.

V

Letter from Sri M. T. Raju, Bar-at-law, I.C.S., Director of Industries and Commerce, to the Secretary to Government, Development Department dated Fort St. George, the 17th August 1950, No. 2123-D1/49.

[Industries—Sericulture—Government Silk Filature, Kollegal—Audit Report for the period from 1st October 1948 to 31st March 1949. *Reference*:—Government Memorandum No. 31371, M1/50-2, Development, dated 5th August 1950.]

I invite a reference to this office letter No. 4955-D1/48, dated 1st September 1949, wherein I had already reported to Government that out of Rs. 321-0-6, which is the total value of fabrics lost, 50 per cent had been recovered from the sentries who were on duty and that the balance of the 50 per cent was written off by me.

As regards the deficit in the stock of silk to the value of Rs. 6,617 found at the time of the stock verification, I have to state that the Sericulture Expert has been asked to explain the reasons for the shortage and his reply is awaited. I have reminded him to expedite submission of his report and I shall submit my remarks on receipt of his report.

With reference to paragraph 2 of the Government Memorandum cited I have furnished below a statement showing how the cost of production of organzine and tram silk has been worked out at Rs. 7-0-0 and Rs. 2-5-0, respectively per lb :—

Particulars of expenses for the production of 192 lb. of organzine and 552 lb. of tram on the basis of 8 lb. per day of working days, 2 shifts.

	Organzine.			Tram.		
	Rs.	A.	P.	Rs.	A.	P.
(*a*) Pay and dearness allowance of establishment.	220	0	0	110	0	0
(*b*) Wages	180	0	0	268	13	0
(*c*) Electric current charges	192	2	6	96	1	3
(*d*) Steaming charges (Ls)	20	0	0	20	0	0
(*e*) Stores consumed	16	7	0	16	7	0

	Organize.			Tram.		
	Rs.	A.	P.	Rs.	A.	P.
(*f*) Interest on capital	94	9	9	94	9	9
(*g*) Depreciation of machinery	455	10	8	227	13	4
(*h*) Depreciation on buildings	33	6	0	33	6	0
(*i*) Allowance towards loss of silk in twisting.	108	0	0	414	0	0
	1,320	3	11	1,281	2	4
Average twisting charges ..	1,320	3	11	1,281	2	4
	192			552		
	= 6	14	0	= 2	5	2
	or			or		
	7	0	0	2,	5	0

VI

Memorandum No. 31371, MI/50-6, Development, dated 6th September 1950

[Industries—Sericulture—Government Silk Filatures, Kollegal—Audit Report for the period from 1st October 1948 to 31st March 1949 *Reference*—From the Director of Industries and Commerce, No. 2123, DI/49, dated 17th August 1950.]

The Director is requested to report here the charges fixed by him to organizine and tram silk compare with those levied by private firms.

R. Koteswara Rao,
Deputy Secretary to Government.

To the Director of Industries and Commerce Madras.

VII

Letter from Sri M. T. Raju, Bar-at-law, I.C.S., Director of Industries and Commerce, to the Secretary to Government, Development Department, dated the Fort St. George, 13th October, 1950, No. 2123 DI/49.

[Accounts—Audit Report on the accounts of the Government Silk Filatures, Kollegal, for the period from 1st October 1948 to 31st March 1949. *Reference.*—Government Memorandum No. 31371, MI/50-5, [Development, dated 23rd August 1950.]

Paragraph 1—*Regarding maintenance of accounts.*—I have already asked the Sericultural Expert to take urgent action to maintain the additional accounts as suggested in the audit note, viz., paragraph XXVIII.

Paragraph IV—Regarding transfer of silk to weaving section.—I have called for the remarks of the Sericultural Expert in the matter and shall send my reply on hearing from him

Paragraph V—Financial review.—The suggestion of the Accountant-General that sufficient stock of cocoons should be built up during seasons to tide over the lean months is sound in principle, but its practicability is limited on account of the fluctuating conditions of the silk market, accentuated particularly due to the absence of a steady policy in regard to imports

of raw silk. It may be however mentioned in this connexion that with a view to build up adequate stocks, the Sericultural Expert was authorized to purchase unrestricted quantities provided the price did not exceed a certain prescribed limit. I may add that no efforts are being spared to ensure continuous working of the filature by building up sufficient reserves of cocoons.

Paragraph VI—Assets—Lands and buildings.—I have informed the Accountant-General that the rates of depreciation now being charged for the various assets at the Government Silk Filatures Kollegal, are satisfactory and there is no need for the revision of the existing rates. As regards the method of calculating depreciation, I have suggested that the existing "diminishing balance" method may be replaced by the "straight line" method so as to be in line with the system being adopted in the other commercial concerns under the control of this department subject to the approval of Accountant-General. I shall take further action in the matter. As regards the Accountant-General's suggestion to open a register showing the several assets, the Sericultural Expert has been instructed to take necessary action.

Paragraph VII—Contract for the sale of Government silk by agency.—The draft agency agreement was prepared only in consultation with the Government Solicitor, Madras.

Paragraph VIII—Losses in the process of cleaning, etc.—I have fixed the following limits up to which loss can be allowed in bleaching silk:—

	PER CENT
Good silk	22
Sub-standard silk	28
Duppion Silk	30

VIII

Letter from M. T. Raju, Esq., Bar-at-Law, I.C.S., Director of Industries and Commerce, to the Secretary to Government, Development Department, dated Fort St. George, the 23rd November 1950, No. 2123D. 1/49.

[Industries—Sericulture—Government Silk Filature Kollegal—Audit Report for the period from 1st October 1948 to 31st March 1949. *Reference* Government Memorandum No. 31371MI/50-6, Development, dated 6th September 1950.]

The charges fixed by me for organzine and tram silk are higher than those levied by private parties at present which are only about Rs. 5 and Rs. 2 a lb. respectively. The private parties are reported to vary the rates according to the conditions obtaining in the market.

IX

Letter from M. T. Raju, Esq., Bar-at-Law, I.C.S., Director of Industries and Commerce, to the Secretary to Government, Development Department, dated the Fort St. George 23rd November 1950, No. 2123 DI/49.

[Industries—Sericulture—Government Silk Filatures—Kollegal—Audit of Accounts from 1st October 1948 to 31st March 1949.]

I invite reference to paragraph VIII of the audit on the accounts of the Government Silk Filatures, Kollegal, for the period 1st October 1948 to 31st March 1949 wherein the Accountant-General has pointed out that maximum

percentage for the losses in drying cocoons, cleaning, winding and bleaching processes of silk should be fixed. I have reported to Government in this office letter No. 2123 D1-49, dated 24th July 1950, the percentages fixed already in the case of drying cocoons, cleaning and winding silk and in this office letter No. 2123 D1/49, dated 13th October 1950, the maximum percentages fixed in the case of bleaching silk. The Accountant-General, Madras, has now stated that approval of Government for the percentages of losses fixed in bleaching silk should be obtained. As the limits fixed, viz., good silk 22 per cent; sub-standard silk 28 per cent; and duppion silk 30 per cent by me were based on the experience gained in the weaving section from 1947–48 and 1949–50 and as they are considered reasonable I request that Government may be pleased to approve the same at an early date.

Order—No. 5334, Development, dated 29th December 1950.

Recorded.

2. *Paragraph I.* —The Director of Industries and Commerce is requested to report in due course the date on which the maintenance of additional accounts suggested by the Accountant-General has been commenced.

3. *Paragraph II—Manufacturing account.*—The Director of Industries and Commerce is requested to follow the procedure suggested by the Accountant-General, i.e., to value the bye-products, duppion silk and silk waste at their average selling rates and to treat the balance of expenditure as cost of production of raw silk.

4. *Paragraph III—Trading account.*—The Government consider that the procedure to value the closing stock at the cost of production inclusive of overhead charges which is followed in other commercial concerns may be followed in Government Silk Filatures also.

The report from the Director of Industries and Commerce in regard to the deficit in the stock of silk to the value of Rs. 6,617 found at the time of the stock verification is awaited.

5. *Paragraph IV—Combined manufacturing and trading account of weaving section.*—The Government direct that the charges for organzine and tram silk be fixed at Rs. 6 (rupees six only) and Rs. 2-4-0 (rupees two and annas four only) a lb. respectively.

The report from the Director of Industries and Commerce in regard to the difficulties that are likely to arise in giving effect to the Accountant-General's suggestion that the rate for silk issued to the weaving section should be fixed with reference to the actual cost of production of silk is awaited.

6. *Paragraph V—Financial review.*—The Government consider that the question of disposal of idle plant and machinery, etc., of the Kollegal Silk Filatures should be taken up after watching the position for not more than one year. The Director of Industries and Commerce is, therefore, requested to submit by 1st January 1952 a report reviewing the position.

7. *Paragraph VI—Balance sheet.*—The Director of Industries and Commerce is requested to report in due course the final action taken in regard to the method of calculating depreciation in consultation with the Accountant-General. The Director of Industries and Commerce is also requested to report in due course the date on which a register showing the several assets of the filatures has been opened.

8. *Paragraph VII—Contract for sale of Government silk by agency system.*—Sanction is accorded to the writing off of an amount of Rs. 1,368-5-0 (rupees one thousand three hundred and sixty-eight and annas five only) being the commission irregularly paid to the agents on the sale of silk effected direct by the department.

9. *Paragraph VIII—Losses in process of cleaning, winding, bleaching, etc.*—The Government approve the following maximum percentage of loss in the processes of drying cocoon and cleaning, etc., of raw silk fixed by the Director of Industries and Commerce :—

	Maximum loss. PER CENT.
(1) Loss in drying of cocoon	9·2
(2) Loss in cleaning silk	1·0
(3) Loss in winding silk	1·0
(4) Loss in bleaching silk—	
(*a*) Good silk	22·0
(*b*) Sub-standard silk	28·0
(*c*) Duppion silk	30 0

10. *Paragraph IX—Cost accounts.*—In the circumstances explained by the Director of Industries and Commerce the Government direct that the suggestion of the Accountant-General to introduce process costing in the filatures be deferred till the problem of working the filatures continuously is solved satisfactorily.

(By order of His Excellency the Governor)

R. Koteswara Rao,
Deputy Secretary to Government.

To the Director of Industries and Commerce.
„ Accountant-General (through the Finance Department).

OFFICE OF THE ACCOUNTANT GENERAL, MADRAS.

53 E2-20/49-50/725.

Fort St. George, dated April 19 50.

Enclosures — Annual Report and Accounts (23 Nos)

From A. Balakrishnan, Esq.,
The ACCOUNTANT GENERAL,
MADRAS.

31371

To

The Secretary to the Government of Madras,
Development Department
Madras, 9 ,

Sir,

Sub:- Audit Report on the Accounts of Govt. Silk Filatures, Kollegal, for the period from 1-10-48 to 31-3-49.

I am to forward herewith for the information and orders of Government, the Audit Report on the accounts of Government Silk Filatures, Kollegal, for the period 1-10-1948 to 31-3-1949.

2. Special attention of Government is invited to Paras V, VII and IX of the Report.

3. The Audit Report and Accounts may please be got printed and made available to the Public Accounts Committee as in the case of other Government Commercial concerns.

1350

P T O

4. Copies of the Report are being forwarded to the Secretary to the Government of Madras, Finance Department, Director of Industries and Commerce and the Sericultural Expert, Government Silk Filatures, Kollegal, for information and necessary action.

Yours faithfully,

Accountant General.

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REPORT ON THE AUDIT OF THE ACCOUNTS OF THE GOVERNMENT SILK FILATURES, KOLLEGAL, FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949.

The Government Silk Filatures, Kollegal, which was a State Trading Scheme till 30th September 1948 was treated as a Government commercial concern with effect from 1st October 1948 with reference to the orders contained in Government Memorandum No. 41154/48 2, Development, dated 12th May 1948. This is the first audit after commercialization.

In addition to a general scrutiny of the documents for the period from 1st October 1948 to 31st March 1949, a detailed audit of the accounts for February 1949 was conducted. The audit for the previous half-year was conducted by the Chief Auditor, State Trading Schemes.

The following documents, duly audited with reference to the initial accounts maintained at the Filatures are appended to the report :—

(1) Statement of affairs as on 1st October 1948 based on the balance sheet audited by the Chief Auditor, State Trading Schemes.

(2) Manufacturing account of silk for the period 1st October 1948 to 31st March 1949.

(3) Trading account of silk for the period 1st October 1948 to 31st March 1949.

(4) Combined manufacturing and trading account of weaving section for the period 1st October 1948 to 31st March 1949.

(5) Combined profit and loss account (silk and silk fabrics) for the period 1st October 1948 to 31st March 1949.

(6) Balance sheet as on 31st March 1949.

(7) Statement showing monthly consumption of cocoons, wages paid and yield of silk (Annexure A).

(8) Interest calculation sheet (Annexure B).

(9) Statement of land, buildings, plant and machinery, etc. (Annexure C).

(10) Statement of sundry debtors and sundry creditors (Annexure D).

(11) Statement of outstanding liabilities (Annexure E).

(12) Selling rate of silk on 31st March 1949 (Annexure F).

The form in which the initial accounts are mentioned is generally the same as in the other commercial institutions under the Department of Industries and Commerce, adapted with suitable modification with reference to the silk industry. These accounts satisfy, in the main, audit requirements. Suggestions for maintenance of certain additional accounts to facilitate an easy compilation and check of the final accounts in commercial form have been made in the audit notes sent to the Director of Industries and Commerce separately.

II. *Manufacturing account.*—The details of the manufacturing cost worked out from the accounts now being maintained, exclusive of indirect charges are as below :—

	Output of silk.	Cocoons consumed.	Cost of cocoons.	Wages.	Other charges less credits.	Total.	Average cost per lb.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	LB.	LB.	RS.	RS.	RS.	RS.	RS.
1948–49—							
First half-year ..	14,091	214,614	1,36,249	71,131	63,409	3 70,789	26·3
Second half-year.	13,293	235,197	2,96,150	55,669	54,220	4,06,039	33·5
For the year 1948–49	27,384	4,49,811	5,32,399	1,26,800	1,17,629	7,76,828	28·4

The cost during the year under report was Rs. 28 per lb. as against Rs. 27 and Rs. 41 during the years 1947–48 and 1946–47, respectively. A marked increase in the cost of cocoons consumed and a reduced yield during the second half-year due to the poor quality of cocoons account mainly for the increased cost of production. It was explained that, during the second half of the year, the price of cocoons went up due to the increase in the market rate of silk, though the quality which was then available was not of the same standard as that obtained during the first half. Ex-gratia payment of wages to labour in respect of the period of closure from 19th July to 30th September 1948 and the necessary standing maintenance charges incurred during the period from 8th to 31st March 1949 in respect of the further temporary closure of the Filature from 8th March to 16th August 1949 also accounted, to a certain extent, for the increased cost of production. The pay and allowances of the officers and the staff have been allocated between factory overheads and general overheads in the proportion of 2 : 1, with reference to Government Memorandum No. 52347 D-1/47-4, Development, dated 29th July 1947. The charges relating to motor lorry have been allocated in the proportion of 2 : 1 : 1 to cocoons, fuel and carriage outwards, respectively. The cost of production of silk, duppion and silk waste during the second half-year has been allocated in the ratio of 27·34 : 12·22 : 2·00, based on the average selling rates of the various commodities. This apportionment does not appear to be a correct one, in view of the fact that duppion silk and silk waste have to be treated as byproducts resulting from the main industry. The correct procedure would appear to be to value the byproducts named above at a rate equal to their saleable value in the market, which should be expected to include any incidental expenses connected with their marketing, proportionate labour engaged in waste cleaning, etc. and deduct their value from the total cost of production according to manufacturing account and arrive at the cost of production of the main product, viz., silk.

A statement showing the monthly consumption of cocoons, wages paid and the yield of silk, duppion and silk-waste is attached at Annexure A. It will be seen therefrom that the percentage of wages to cocoons consumed was as high as 39 in March 1949. This high percentage was a result of the closure of the Filature from 8th March 1949. The lowest percentage obtained was in November 1948, viz., 20·8 per cent. This was apparently due to the availability of cocoons on a large scale and consequent increased production.

The yield of silk from October 1948 to February 1949 was a little below the normal standard of 5·6 per cent expected from cocoons of standard renditta. This was stated to be a result of purchase of cocoons below the

standard renditta in order to keep the filatures running. It was also explained that the purchase of cocoons is usually made only with reference to a visual test of the probable renditta and that a margin has to be allowed for variations in renditta arrived at in actual production.

III. *Trading account.*—The sales during the year 1948–49 amounted to Rs. 14,55,332 (as per details given below).—

		Rs.
First half	.. ..	3,06,555
Second half	.. ..	11,48,777
	Total ..	14,55,332

as against Rs. 7,20,061 and Rs. 21,57,563 during the years 1947–48 and 1946–47. The increase in the sales was due to a good demand for silk produced at the Filatures consequent on the lifting of the controls during the year. A major portion of the stock relating to 1946–47 which was produced at a higher cost has been disposed of during the year.

A sum of Rs. 11,317 has been paid as commission to agents appointed for sale of silk with reference to the orders of Government in G.O. No. 1406, Development, dated 20th March 1948. The system of sale of silk through agents on commission basis is reported to have since been discontinued—vide also paragraph VII infra.

A sum of Rs. 6,61[illegible] being the value of stock found deficit during stock verification is included in the value of closing stock, as sanction to the write-off of the value is still awaited. Similarly a sum of Rs. 321 being the value of fabrics lost by theft is also included in the value of closing stock in weaving section as sanction to the write-off is still awaited. It has so far been the practice to value the closing stock of silk at the actual selling rate ruling on last day of the trading period (vide Annexure F). Duppion silk and silk waste, the by products have been valued at Rs. 10 and Rs. 2 per lb., respectively, which have been fixed as their saleable value. The procedure of valuing the closing stock of silk at selling rate requires, however, to be reconsidered. The correct procedure would be to value the closing stock at the cost of production inclusive of overhead charges as in other commercial concerns, as for example cinchona, Kerala Soap Institute, etc. The suitability of revising the procedure and to adopt the valuation based on the cost of production may be considered by Government.

IV. *Combined manufacturing and trading account of weaving section.*—An experimental weaving section was installed in the Filatures as a temporary measure during the year 1947–48 with reference to the orders contained in G.O. No. 3119, Development, dated 25th June 1948. The question of retaining this as a permanent measure and to introduce the working on power-looms is stated to be under consideration. A combined manufacturing and trading account in respect of the weaving section has been prepared. The working of the weaving section during the year has resulted in a profit of Rs. 4,251 in respect of sales to an extent of Rs. 26,355 which has been taken to the main profit and loss account of the Filature as a whole. The profit in respect of this section during 1947–48 was Rs. 1,249 in respect of sales to an extent of Rs. 8,930.

Silk issued to the weaving department has been priced at the ruling selling rates at the time of issue and not on the actual cost of production.

The selling prices of fabrics from the weaving section are so fixed as to allow a flat margin of eight annas per yard to cover incidental expenses and a small margin of profit, in accordance with the orders of the Government in G.O. No. 3419, Development, dated 25th June 1948, as amended by Government Memorandum No. 93082/D1/48-1, Development, dated 13th September 1948. A further addition of fixed rates of Rs. 9 and Rs. 7-4-0 for organzine and tram respectively towards throwing charges has been made to the selling rates of silk, in accordance with the orders of the Director of Industries in his No. 3869-D/46, dated 27th April 1948, reproduced as annexure to the Government Order referred to above. The adequacy or otherwise of this addition will have to be considered by Government while fixing the selling rates of finished fabrics, as this addition appears to be in excess of the actual throwing charges which are stated to be about Rs. 6 per pound. The rates at which issues of silk from stock to the weaving section are to be made will have also to be fixed with reference to the actual cost of production of silk.

V. *Financial review.*—The working of the Filatures during the half-year under report has resulted in a net loss of Rs. 87,707. The loss for the year as a whole was Rs. 1,35,079 as against Rs. 82 411 in 1947-48. The total sales of silk during the year were 52,630 lb. Out of this about 25 000 lb. relating to stock of 1945-46 and 1946-47 were disposed of during the year at prices lower than their cost of production.

The loss was also to some extent necessarily the result of the closure of the Filatures first from 19th July to 30th September 1948 for nearly two and a half months and again from 8th March 1949, notwithstanding the retrenchments effected, consequent on the closure and reduction in the number of reeling basins gradually as a result of the conservative policy adopted in the stocking of cocoons. As stoppage of work in the Filatures even without payment of any ex gratia wages to workers has been estimated under existing conditions to involve a loss of Rs. 15,600 per mensem, the desirability of revising the present policy in regard to purchase of cocoons with a view to stocking of requirements, stated to be scientifically possible with the facilities available at present, to enable the continued working of the Filatures during the lean months also, though with reduced number of basins, may be considered as also measures to secure this end.

Further in view of the fact that the "Government Silk Filatures" containing 424 basins are not worked to full capacity—

First half	47,372
Second half	87,707
Total ..	1,30,579

and as the possibilities of utilizing the plant and machinery of the "Kollegal Silk Filatures" which contains 150 basins for production appears to be remote, the question of the disposal of the idle "Kollegal Silk Filature" plant and machinery, etc., may be considered by Government. If the plant and machinery are disposed of, the reduction of the present depreciation and interest charges on a capital of about Rs. 1,05,460 (as on 1st April 1949) will aid to a large extent in the reduction of the present overheads.

	Average active basins.		*Average active basins.*
[illegible] 1948	212	October 1948	169
[illegible] 1948	147	November 1948	190
[illegible] 1948	180	December 1948	165
[illegible] 1948	199	January 1949	87·5
[illegible] 1948	Nil.	February 1949	86
[illegible] 1948	Nil.	March 1949	88

VI. Balance Sheet.—(i) *Capital.*– The opening capital includes the leave and pensionary contribution interest, and audit fees up to 30th September 1948 capitalized as the concern has been required to be treated as a commercial one.

(ii) *Interest.*—Rs. 21,231. The details of calculation are given in Annexure B.

(iii) *Audit fees.*—Rs. 910. A sum of Rs. 910 representing the audit fee calculated at Rs. 70 per working day for a party of three auditors has been adjusted in the accounts.

(iv) *Direction charges.*—Rs. 2,500-1-0 This is adjusted with reference to Director's letter No. 2629-D1/48, dated 17th May 1949

Assets.—(v) *Land and buildings.*– Rs. 4,53,314-6-7. A register of fixed assets showing the value of the several assets has not been kept. It is suggested that a register should now be opened and the values of the several assets classified according to land, buildings, plant and machinery, scientific instruments, etc., for which different rates of depreciation have to be allowed, entered therein. A statement showing the details of the values of the several assets as on 31st March 1949 is at Annexure C

The rates of depreciation now charged in the accounts are based on the orders of the Director of Industries and Commerce in his Memorandum No. 4743-D/45, dated 28th February 1947. The rates of depreciation to be charged to the several assets and the method of charging the depreciation has now to be determined with reference to the procedure obtaining in other commercial concerns.

The amount charged as depreciation includes a sum of Rs. 4,320 towards depreciation of the assets of the "Kollegal Silk Filatures" taken over by Government.

In his letters No. 1738-D1/48, dated 23rd April 1949 and No. 2062-D1/49, dated 13th November 1949, the Director of Industries and Commerce has addressed the Government for the creation of a profit reserve account and depreciation reserve fund. Pending final orders of Government, depreciation has been charged in the profit and loss account by credit to various assets. The profits accrued up to 1946-47 were Rs. 6,76,396 and losses during 1947-48 and 1948-49 were Rs. 2,17,490. The net profit shown in the balance sheet is the amount arrived at after adjusting the losses from the profits to end of 1946-47.

(vi) *Sundry debtors and sundry creditors.*—A statement showing the details for the above are given in the statement Annexure D.

(vii) *Stock in process.*– Rs. 2,351-3-9. This represents value of the stock in the weaving section as estimated by the Sericultural Expert.

(viii) *Cash on hand.*—Rs. 9,440-0-1. This represents the sum total of the balances held in office as well as the advances held by the Market Officers.

VII. Contract for sale of Government silk by agency system.—In connection with the sale of Japanese silk allotted by the Government of India to this Province, it was decided to include in the agency system the sale of silk produced at Government Filatures also. The accepted tenders stipulated, among other terms, that the minimum sale of silk per month should be 3,000 lb. and the payment of a commission of one per cent on sales by the

agents. The tenders of the three applicants noted below were accepted in Director's letter No. 6101-D/47, dated 20th May 1949, subject to the execution of an agreement by each of them:—

Messrs. Donti Venkatesiah Chetty & Co., Messrs. V. K. Srinivasa Setty & Co., and Messrs E. V. Parasiva Murthy & Co.

It appears to have been subsequently agreed to modify the terms as under:—

(i) The minimum monthly sales should be based on a monthly *average* sale of 3,000 lb. of silk or minimum of 36,000 lb. per year and

(ii) that the agents should also be given the commission of one per cent on sales effected direct by Government, without the intervention of the agents (vide letter, dated 10th July 1948, from Donti Venkatesiah Chetty on pages 15 and 16 of file).

These terms were embodied in a draft agreement which was sent to the three selected agents (who had already commenced to function) with letter No. 4059-D1/48, dated 20th November 1948. The agreements were not, however, executed even as late as 5th April 1949, when it was decided to terminate the agency system as no longer necessary, by giving three months notice as provided for in the draft agreement and no further action was taken for finalising the agreement. In this connection it was also held in consultation with the Government Solicitor that the agency were not entitled to the commission on sales by the department (vide Director's letter No. 4059-D1/48 dated 30th May 1949 and Government Solicitor's opinion in his letter No. 2,217 dated 15th June 1949 and subsequent correspondence). As the Director held that he had not contracted to the payment of this commission, commission outstanding payment at the time, amounting to Rs. 424-13-0 asunder was withheld.

Name of agent.	Period of sale by department.	Amount of commission.					
		Rs.	A.	P.	Rs.	A.	P.
1 Donti Venkatesiah Chetty ..	10th February to 24th March 1949	271	12	0			
2 G. Parasiva Murthy & Co.	28th February 1949 ..	30	0	0	153	1	0
	th to 29th March 1949 ..	123	1	0			
	Total ..	424	13	0			

The following payments already made (vide letter No 2482-C/49 dated 7th September 1949 from the Sericultural Expert) should, therefore, be recovered from the parties or otherwise regularized by Government:—

Name of agent.	Period of sale by department.	Amount of commission.			
		Rs.	A.	P.	
1 Donti Venkatesiah Chetty ..	30th August to 3rd October 1948 ..	115	3	0	(Vr. 232 of 11/48).
	22nd November to 15th December 1948 ..	672	5	0	(Vr. 80 of 1/49).
	7th January 1949	120	1	0	(Vr. 76 of 2/49).
2 G. Parasiva Murthy & Co.	18th November to 13th December 1948	445	8	0	(Vr. 63 of 1/49).
	24th January 1949 ..	15	4	0	(Vr. 75 of 2/49).
	Total ..	1,368	5	0	

III. *Losses in the process of cleaning, winding, bleaching, etc.*—It was explained that no orders fixing the maximum percentage of loss that would occur in the process of drying the cocoon, cleaning, winding and bleaching silk have been issued. It was, however, reported that the following are the normal percentages of loss:—

	Per cent.
1. Loss in drying cocoons	9
2. Loss in cleaning silk	1
3. Loss in winding silk	1
4. Loss in bleaching—Good silk	22 to 25
Sub-standard silk	28
Duppion silk	30 to 35

In order to ensure that there are no abnormal wastages in these processes, it is desirable that orders are issued fixing a maximum percentage for these losses.

IX. *Cost accounts.*—No process cost accounting is maintained to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc., (4) cost of silk made into organzine and tram for weaving purposes, ect. An efficient costing system will, if introduced, enable the administration to detect any leakages and idle time. For this purpose, the factory over heads may be distributed in proportion to the direct labour employed in each process. It is, therefore, suggested for consideration whether process costing cannot be introduced in the factory and if Government approve; orders may kindly be issued for their maintenance and the method to be adopted for the distribution of factory over heads.

X. Subject to the remarks mentioned above, I certify that I have obtained all the information and explanations that I have required and that the balance sheet signed by me as relative hitherto exhibits a true and correct view of the state of affairs of the Government Silk Filatures, Kollegal, as on 31st March 1949.

R. S. Ramamurthi,
Assistant Accounts Officer.

K. Vaidyanathan,
Examiner (Outside Audit).

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REPORT ON THE AUDIT OF THE ACCOUNTS OF THE

GOVERNMENT SILK FILATURES, KOLLEGAL.

STATEMENT OF AFFAIRS AS ON 1ST OCTOBER 1948.

		Debit.			Credit.		
		Rs.	A.	P.	Rs.	A.	P.
1	Capital	..			12,27,070	4	5
2	Leave and pensionary contribution	..			21,040	15	8
3	Interest	..			1,71,535	15	6
4	Audit fees	..			3,606	5	0
5	Outstanding liabilities	..			44,165	14	8
6	Sales tax payable up to 30th September 1948	..			1,543	7	8
7	Security deposits	1,300	0	0	1,300	0	0
8	Sundry creditors	..			694	9	0
9	Net profit	..			5,46,613	7	7
10	Land, buildings, plant and machinery, furniture, etc.	4,49,358	9	7			
11	Finished products	14,76,298	6	10			
12	Raw materials—						
	Good cocoons	Rs. 16,806	5	0			
	Rat eaten	590	11	4			
		17,397	0	4			
13	Fuel	2,950	1	6			
14	General stores	30,761	15	6			
15	Gold thread	87	10	0			
16	Petrol	835	3	0			
17	Postage stamps	186	9	6			
18	Sundry debtors	28,794	15	9			
19	Stock in process	4,138	6	8			
20	Cash balance	4,358	0	4			
21	Loss by theft of fabrics	321	0	6			
		20,17,770	15	6	20,17,770	15	6

MANUFACTURING ACCOUNT FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949.

Dr.

	Rs.	A.	P.	Rs.	A.	P.
To Raw materials consumed—						
Cost of cocoons	2,89,694	9	7			
Add—Conveyance charges	5,556	14	4			
Other incidental charges ..	898	3	9			
				2,96,149	11	8
,, Cost of fuel consumed (firewood and coal)	2,621	6	6			
Add—Conveyance charges	2,778	7	2			
				5,399	13	8
,, Cost of power consumed	2,805	1	2			
				2,805	1	2
Cost of general stores consumed including freight, etc.				1,329	6	6
,, Wages—Labourers	55,668	14	5			
				55,668	14	5
Factory staff (including pay of electrician)	18,833	8	0			
	1,519	12	8			
Officers and office staff	5,296	4	0			
				25,649	8	8
,, Maintenance of boiler and machinery.	1,153	11	9	1,153	11	9
Do. buildings.	979	9	1	979	9	1
,, Depreciation of factory buildings, plant, etc.	15,698	0	0	15,698	0	0
,, Other miscellaneous expenditure (taxes, etc.)	1,641	12	4			
				1,641	12	4
				4,06,475	9	5

Cr.

	Rs.	A.	P.
By Sale of dead pupæ	436	15	0
,, Value of finished products transferred to trading account—			
(i) Silk lb. 11,790–0½	3,65,252	0	1½
(ii) Duppion lb. 1,502–14	20,810	1	4
(iii) Silkwaste lb. 8,814–12	19,976	8	3
	4,06,475	9	5

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Dr. TRADING ACCOUNT FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949. Cr.

	Rs.	A.	Rs.	A.	P.	Rs.	A.	P.		Rs.	A.	P.	Rs.	A.	P.
To Opening Stock—									By Sale of—						
Silk lb. 44,869–7¼	13,18,910	8							Silk lb. 40,190–8¼	11,17,902	13	4			
Duppion lb. 4,178–5	47,783	2							Duppion lb. 1,255–0	15,291	11	3			
			13,66,723	10	0								11,33,194	8	7
Silk waste lb. 47,960–8			95,921	0	0				„ Silk issued to weaving section lb. 457–0¼	..			15,582	8	11
Kilchas			13	7	0				„ Closing stock—						
Throwsters waste			54	0	0				Silk lb. 16,763–3	5,11,288	8	2			
						14,62,712	1	0	Duppion lb. 5,043–11¼ ..	50,437	0	0			
„ Production—									Silk waste lb. 56,664–0 ..	1,13,328	0	0			
Silk lb. 11,790–0¼			3,65,252	0	10				Kilchas	13	7	0			
Duppion lb. 1,502–14			20,810	1	4				Throwsters waste	54	0	0			
Silk waste lb. 8,514–12			14,976	8	3								6,75,120	15	2
						4,00,038	10	5	„ Value of stock to be written off ..	..			6,616	9	9
„ Packing materials			1,414	6	2				„ Gross loss	..			54,664	12	1
Deduct—Credit			— 418	8	0										
						995	14	2							
„ Carriage outwards			3,431	2	11	3,431	2	11							
„ Agents' commission			11,317	8	0	11,317	8	0							
„ Postal insurance charges			696	6	0										
Deduct—Credit			— 12	4	0										
						684	2	0							
						18,85,179	6	6					18,85,179	6	6

B. SILK FABRICS.

COMBINED MANUFACTURING AND TRADING ACCOUNT OF THE WEAVING SECTION FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949.

Dr. Cr.

	Rs.	A.	P.	Rs.	A.	P.		Rs.	A.	P.	Rs.	A.	P.
To Opening stock—							By sale of fabrics	..			15,879	0	6
Fabrics	13,586	5	10				„ Closing stock of fabrics manufactured	22,231	5	6			
Yarn (silk)	4,132	10	9				„ Gudiyatham	379	13	0			
Gold lace	5	11	11								22,611	2	6
				17,724	12	6	„ Silk in Weaving section and on looms	2,341	3	9			
„ Silk obtained from Silk section.	15,582	8	11	15,582	8	11	„ Gold thread in Weaving section and looms	10	0	0			
„ Gold and silver lace obtained from stores	742	0	0	742	0	0					2,351	3	9
„ Bleaching, weaving, etc., charges.	4,605	5	9	4,605	5	9							
„ Stores consumed	63	6	3	63	6	3							
„ Gross profit	2,123	5	4	2,123	5	4							
				40,841	6	9					40,841	6	9

COMBINED PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949.

Dr.

	Rs.	A.	P.
To Gross loss from Trading Account—Silk	54,664	12	1
,, Pay and allowances of officers and establishment ..	2,643	1	0
,, Maternity benefit	387	8	0
,, Medical aid	729	13	11
,, Postage	535	11	6
,, Stationery	111	8	6
,, Office contingencies	51	15	0
,, Property-tax (Other than Factory buildings)	475	7	0
,, Books and periodicals	13	15	0
,, Advertisements	299	2	8
,, Exhibition expenses	604	1	0
,, Repairs to cycles	20	8	9
,, Depreciation other than factory	3,012	0	0
,, Leave and pensionary contribution	3,107	6	4
,, Direction charges	2,500	1	0
,, Interest on capital	21,231	0	0
,, Audit fee	910	0	0
,, Electric consumption charges	311	10	10
,, Maintenance of electrical installation	168	13	10
,, Maintenance of creche	370	3	0
,, Write-off value of seccoons	435	6	4
Total ..	92,589	1	9

Cr.

	Rs.	A.	P.
By Profit from weaving section	2,123	5	4
,, Rent	2,098	9	0
,, Sale of fuel chips	65	2	0
,, Other miscellaneous items	594	11	1
,, Net loss	87,707	6	4
Total ..	92,589	1	9

GOVERNMENT SILK FILATURES, KOLLEGAL

Balance Sheet as on 31st March 1949.

Capital and Liabilities.	Rs.	A.	P.	Rs.	A.	P.
Capital as per statement of affairs on 1st October 1948.	12,27,070	4	5			
Add—Leave and pensionary contribution up to 30th September 1948 (Capitalized).	31,040	15	8			
Interest up to 30th September 1948 (Capitalized).	1,71,535	15	8			
Audit Fee up to 30th September 1948 (Capitalized).	3,606	5	0			
				14,23,253	8	7
Add—Cheques drawn	4,67,212	0	4			
General Provident Fund deductions.	750	0	0			
Income-tax	28	8	0			
Debit adjustments by Accountant-General and Sericultural Expert.	21,307	15	8			
Leave and pensionary contribution from 1st October 1948 to 31st March 1949.	3,107	6	4			
Interest from 1st October 1948 to 31st March 1949.	21,231	0	6			
Audit fees from 1st October 1948 to 31st March 1949.	910	0	0			
Direction charges from 1st October 1948 to 31st March 1949.	2,500	1	0			
				5,17,146	15	4
				19,40,400	7	1

Property and assets.	Rs.	A.	P.	Rs.	A.	P.
Land, buildings, plant and machinery, etc. (statement attached).	4,49,358	9	7			
Add—Additions during the year	23,315	13	0			
	4,72,674	6	7			
Deduct—Depreciation and disposals.	18,860	0	0			
				4,53,814	6	7
Finished products—						
Silk lb. 16,763-3	5,11,288	8	2			
Duppion lb. 5,043-11¼	50,437	0	0			
Silk waste lb. 5,6664-0	1,13,328	0	0			
Kilchas	13	7	0			
Throwsters waste	54	0	0			
				6,75,120	15	2
Fabrics—				22,611	2	6
Loss of fabrics and silk to be written off.	321	0	6			
	6,616	9	9	6,937	10	3
Raw materials—						
Good cocoons	2,544	11	11			
Rat eaten cocoons	282	8	0			
Gold and silver lace	250	0	0			
				3,077	3	11
Other stores—						
Fuel	6,908	9	0			
Coal	1,966	0	0			
Petrol	116	13	0			
Miscellaneous stores	34,007	11	9			
				42,999	1	9
Sundry debtors				27,983	5	9
Service postage				250	14	0
Security deposits as per contra ..				450	0	0

REPORT ON THE AUDIT OF THE ACCOUNTS OF THE

Deduct—							
Remittance into Treasuries ..		12,31,905	13	4			
Sales tax		(—) 19,081	8	4			
		12,12,824	5	0			
Credit adjustments		1,084	6	6			
Payments on behalf of other departments.		392	14	0			
General Provident Fund withdrawals.		144	0	0			
					12,14,445	9	6
Closing capital					7,25,954	14	5
Liabilities—.							
Outstanding liabilities as per statement attached.					15,683	11	7
Sundry creditors					43,983	5	6
Sales tax payable					290	15	0
Security deposits					450	0	0
Net profit to end of 30th September 1948.		5,46,613	7	7			
Deduct—Net loss from 1st October 1948 to 31st March 1949.		87,707	6	4			
					4,58,906	1	3
					12,45,268	15	9

Stock in process—							
Silk		2,341	3	9			
Gold lace		10	0	0			
					2,351	3	9
Tax paid in advance for 1949-50 ..					233	0	0
Closing cash balance ..					9,440	0	1
					2,45,268	15	9

GOVERNMENT SILK FILATURES, KOLLEGAL

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ANNEXURE A.

STATEMENT SHOWING MONTHLY CONSUMPTION OF COCOONS, WAGES PAID, AND YIELD OF SILK AND SILK WASTE.

Month.	Cocoons consumed.	Wages paid.	Percentage of wages to cocoons consumed.	Silk produced.	Duppion silk produced.	Silk waste produced.	Percentage of silk produced to cocoons used.	Percentage of duppion silk produced to double cocoons used.	Percentage of silk waste produced to cocoons used.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	LB. OZ.	Rs.		LB. OZ.	LB. OZ.	LB. OZ.			
October 1948	44,072 0	11,764	25·21	2,457 15½		1,706 0	5·58		3·66
	2,588 8				223 10½			8·64	
November 1948	62,602 4	14,175	20·80	3,444 4½		2,529 8	5·50		3·71
	5,538 0				481 2½			8·69	
December 1948	63,230 8	13,107	22·67	3,888 11½		2,091 0	5·43		3.62
	4,583 0				398 5½			8·69	
January 1949	24,088 14	7,128	27·08	1,249 6½		927 8	5·18		3·53
	2,234 0				222 4½			9·95	
February 1949	28,049 8	7,126	23·82	1,428 8½		1,205 0	5·09		4·03
	1,866 0				143 6½			7·68	
March 1949	5,981 4	2,513	39·61	321 2		355 12	5·95		5·61
	353 0				34 0			9·37	
Total ..	235,196 14	55,813*		11,790 0½	1,502 14	8,814 12			

Remarks—Column (2)—The first line against each month represents good and flimsy cocoons used and the second line represents double cocoons used.

The difference of Rs. 144 between this figure and the figure in the Manufacturing Account is due to credit having been taken in the latter for the cost of labour supplied to other departments.

ANNEXURE B.

CALCULATION OF INTEREST CHARGES FOR THE PERIOD 1ST OCTOBER 1948 TO 31ST MARCH 1949.

	Rs.	A.	P.	Rs.	A.	P.
Capital from statement of affairs				12,27,070	4	5
Add—						
Leave salary and pensionary contribution up to 30th September 1948.				21,040	15	8
Interest				1,71,535	15	6
Audit fees				3,606	5	0
				14,23,253	8	7
Add Cheques drawn	4,67,312	0	4			
General Provident Fund	750	0	0			
Income-tax	28	8	0			
Debit adjustments	21,007	15	8			
Amount drawn by Sericultural section	300	0	0			
Leave salary and pensionary contribution	3,107	6	4			
Audit fees	910	0	0			
Opening balance, cash	4,538	0	4			
Direction charges	2,500	1	0			
				5,00,453	15	8
				19,23,707	8	3
Deduct—						
Remittance	12,31,905	13	4			
Sales-tax paid	19,081	8	4			
	12,12,824	5	0			
Credit adjustments	1,084	6	6			
Payments on behalf of other departments ..	392	14	0			
General Provident Fund withdrawals	144	0	0			
Closing cash balance	9,440	0	1			
				12,23,885	9	7
Closing capital without interest				6,99,821	14	8
Interest on Rs. 14,23,253 at 4 per cent for half year.				28,465	0	0
Interest on mean capital $\frac{6,99,822 \text{ minus } 14,23,253}{2}$			(—)	7,234	0	0
or on Rs. — 3,61,761 at 4 per cent for half-year.						
				21,231	0	0

ANNEXURE C.

STATEMENT OF LAND, BUILDINGS PLANT AND MACHINERY, ETC.

Particulars.	Value of asset as on 1st October 1948.	Additions.	Credits.	Net total.	Depreciation for the period from 1st October 1948 to 31st March 1949.	Depreciated value of asset as on 31st March 1949.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs. A. P.	Rs. A. P.	Rs.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Land	9,171 1 7	..	..	9,171 1 7	..	9,171 1 7
Main building	42,683 14 3	..	..	42,683 14 3	1,601 0 0	41,082 14 3
Cocoon storage	32,145 13 6	2,678 2 0	..	34,823 15 6	1,256 0 0	33,567 15 6
Silk examining and packing room	5,158 1 6	..	..	5,158 1 6	194 0 0	4,964 1 6
Manager's quarters	5,937 8 9	..	..	5,937 8 9	74 0 0	5,863 8 9
Masonry drains	2,406 2 9	..	..	2,406 2 9	90 0 0	2,316 2 9
General stores and workshops	1,657 12 7	..	..	1,657 12 7	62 0 0	1,595 12 7
Boiler room	2,018 4 0	..	..	2,018 4 0	75 0 0	1,943 4 0
Office building	31,096 9 3	..	..	31,096 9 3	1,166 0 0	29,930 9 3
Chowkidars' quarters	1,313 6 2	..	..	1,313 6 2	49 0 0	1,264 6 2
Latrines and urinals for work people	2,083 15 1	..	..	2,083 15 1	78 0 0	2,005 15 1
Roads and culverts	1,807 12 6	..	..	1,807 12 6	68 0 0	1,739 12 6
Compound wall and gate	1,318 15 8	..	..	1,318 15 8	49 0 0	1,269 15 8
Double garage	798 1 1	..	..	798 1 1	30 0 0	768 1 1
Quarters for Technical Expert	6,410 3 6	..	..	6,410 3 6	80 0 0	6,330 3 6
Lunch shed	3,801 13 5	..	..	3,801 13 5	142 0 0	3,659 13 5
Service reservoir	1,457 4 4	..	..	1,457 4 4	55 0 0	1,402 4 4
Servants' quarters	730 3 2	..	..	730 3 2	27 0 0	703 3 2
Latrines for staff	626 7 0	..	..	626 7 0	23 0 0	603 7 0
Saraswathi Bai Colony	28,122 11 10	..	..	28,122 11 10	352 0 0	27,770 11 10
reeling basins and machinery	1,11,749 5 6	779 11 0	..	1,12,529 0 6	6,728 0 0	1,05,801 0 6
Tools and equipment	32,592 4 4	..	..	32,592 4 4	1,956 0 0	30,636 4 4
Boilers	30,987 4 7	..	..	30,987 4 7	1,549 0 0	29,438 4 7
Station wagon	553 9 1	..	..	553 9 1	68 0 0	485 9 1
Steam and water pipe connections	24,962 10 0	..	..	24,962 10 10	1,498 0 0	23,464 10 10
Stilling chamber	290 15 0	..	..	290 15 0	11 0 0	279 15 0
Furniture in Technical Expert's quarters	427 7 5	..	..	427 7 5	13 0 0	414 7 0
Water-supply—Sinking and borewell	4,339 13 7	..	..	4,339 13 7	130 0 0	4,209 13 7
Furniture in Manager's quarters	445 4 7	..	..	445 4 7	13 0 0	432 4 7
Ford trucks	2,607 1 4	..	..	2,607 1 4	326 0 0	2,281 1 4
Sechoir	9,091 7 8	..	..	9,091 7 8	450 0 0	8,641 7 8
Bullock	291 15 3	..	150	141 15 3	..	141 15 3
Furniture at Kollegal Silk Filatures	3,054 10 3	..	..	3,054 10 3	92 0 0	2,962 10 3
Cart	381 14 2	..	..	381 14 2	23 0 0	358 14 2

ANNEXURE C—*Cont.*

STATEMENT OF LAND, BUILDINGS, PLANT AND MACHINERY, ETC.

Particulars. (1)	Value of asset as on 1st October 1948. (2)	Additions. (3)	Credits. (4)	Net total. (5)	Depreciation for the period from 1st October 1948 to 31st March 1949. (6)	Depreciated value of asset as on 31st March 1949. (7)
	RS. A. P.	RS. A. P.	RS.	RS. A. P.	RS. A. P.	RS. A. P.
Radio sets	105 8 8	..	..	105 8 8	6 0 0	99 8 8
Seriplane and board	1,126 2 6	..	..	1,126 2 6	70 0 0	1,056 2 6
Denier scale	29 3 9	..	..	29 3 9	2 0 0	27 3 9
Serimeter	156 1 3	..	..	156 1 3	9 0 0	147 1 3
Denier testing machines	172 14 9	..	..	172 14 9	10 0 0	162 14 9
Silk throwing plant	2,121 8 7	..	..	2 12 8 7	74 0 0	2 047 8 7
Trailer pump	3,052 4 3	..	..	3,052 4 3	153 0 0	2,899 4 3
Electrification	26,705 10 0	..	..	26,705 10 0	..	26,705 10 0
Establishment charges	2,812 9 0	..	..	2,812 9 0	..	2 812 9 0
Handloom, first set	478 5 10	..	..	478 5 10	14 0 0	464 5 10
Handloom, second set	874 7 6	..	..	874 7 6	26 0 0	848 7 6
Scientific instrument	304 15 9	..	..	304 15 9	18 0 0	286 15 9
Books and publication	88 0 3	..	..	8 0 3	..	88 0 3
Silk waste godown	8,8 9 0 0	19,858 0 0	..	28,667 0 0	..	2 ,667 0 0
Total ..	4,49,358 9 7	23,315 13 0	150	4,72,524 6 7	18,710 0 0	4,53,814 6 7

ANNEXURE D.

SUNDRY DEBTORS' ACCOUNT AS ON 31ST MARCH 194

		RS.	A.	P.	Ledger folio.
1	Secretary, Staff Association	9	8	0	28
2	Sri A. T. Janakiraman	178	14	9	107
3	Principal, Agricultural College, Bapatla ..	12	1	0	15
4	Mr. Peychand	658	7	0	15
5	Mr. Jesudass	19	8	0	16
6	Sri Meenakshi Ayyar	0	4	6	16
7	Staff	0	15	0	16
8	Mr. Imam Khan	15	10	0	17
9	Market Officer	70	0	0	17
10	Assistant Sericultural Expert (2)	13	9	0	13
11	Sericultural Expert	1,00	2	6	3
12	Government Silk Filature Labourers	48	6	0	59
13	Sri V. Govindan	78	4	0	11
14	Sri V. A. Kannan	44	9	6	11
15	Secretary, Silk Filature Employees' Co-operative Stores.	307	8	0	50
16	Messrs. G. V. Parasiva Murthy & Co.	24,864	6	0	141
17	Sri Vivekananda Murthy ..	152	8	0	..
18	The Deputy Director, Vocational Training Centre.	133	7	0	56
19	Government Silk Filature staff	40	8	0	61
20	Sri T. A. Atmarama Rao	9	4	6	110
21	Sri N. K. Gururajan	23	1	0	118
22	Mrs. Anumuthu	2	9	0	119
23	Mr. Mahadeva Ayyar	4	8	0	110
24	Sri Govindan Nair	8	15	0	30
25	Sri Chick Linga	38	0	0	170
26	Sri Mada Setty	18	12	0	109
27	Sri Nirmal Chand	9	11	0	125
28	Sri Mallaraj Urs	76	0	0	125
29	Sri Narayanaswami	0	9	0	125
30	Sri Gnanaprakash	3	8	0	..
31	Sri M. Nagappa	50	0	0	90
		27,983	5	9	

SUNDRY CREDITORS.

1	Donti Venkatesiah Setty Company	42,023	4	0	133
2	K. R. T. Narasimha Ayyar	1,503	13	6	128
3	South Indian Silks, Gudiyatham	177	8	0	148
4	Sunderaj Textiles	51	8	0	20
5	Vasantlal Balubhai Roshamdalal	124	15	0	22
6	Kabadi Shankarsa	84	0	0	22
7	Coimbatore Spinning and Weaving Company ..	12	9	0	23
8	Varadarajulu Ayyar	5	12	0	24
		43,983	5	6	

ANNEXURE E.

OUTSTANDING LIABILITIES AS ON 31ST MARCH 194

	Rs.	A.	P.
Cocoons	4,293	15	5
Stores	947	12	8
Electric current charges	703	9	6
Pay of officers	276	0	0
Pay of establishment	3,787	10	0
Fuel and splitting charges	87	6	0
Alta winding charges and stitching charges ..	574	1	0
Doctors' fees	6	0	0
Insurance charges	42	10	0
Miscellaneous including direction charges for 1948-49 (first half).	4,322	6	0
	15,042	6	7
Wages	641	5	0
	15,683	11	7

ANNEXURE F.

STATEMENT SHOWING THE RATES OF SILK (SELLING RATE) ADOPTED FOR WORKING OUT THE CLOSING VALUE AS ON 31ST MARCH 1949.

Silk.	Denier.	Ordinary per lb. Rs.	A.	P.	Re-reeled per lb. Rs.	A.	P.	
....	24/28	28	8	0	30	8	0	Sanctioned in Director's Memorandum No. 6674-D1/48, dated 23rd December 1948.
....	20/22	29	8	0	31	8	0	
....	13/15	30	4	0	32	4	0	
....	9/11	31	4	0	33	4	0	
Sub-standard silk ..	..	15	0	0	Rates adopted by Agricultural Expert.			
Duppion silk	—	10	0	0				
Silk waste	..	2	0	0				

Industries and Commerce Department.

Letter

From
Sri M.T. Raju, Bar-at-Law., I.C.S.,
Director of Industries & Commerce,
Madras.

To
The Secretary to Government,
Development Department,
Madras.

No.2123-D1/49 dated 24-7-50.

Sir,

Sub: Audit report on the accounts of the Government Silk Filatures, Kollegal for the period from 1-10-48 to 31-3-49.

Ref: Letter No.O.A.33f-50/49-50/725, dated 6-4-50 from the Accountant-General addressed to Government.

1. The following remarks are offered on the various objections detailed in the audit report:

2. Para.1. The suggestions made by the Accountant General in the audit notes sent to me separately for the maintenance of certain additional accounts are being examined in consultation with the Accountant-General and action will be taken early

3. Para.II - Manufacturing Account.

The apportionment of cost of manufacture of raw silk, Duppion and silk waste in the ratio of 27.34: 12.22: 2.00 in the manufacturing account was made in line with the suggestion previously made by the Chief Auditor, State Trading Schemes. I have no objection to follow the procedure now suggested by the Accountant-General, i.e., to value the bye-products (duppoin silk and silk waste) at this average selling rates and to treat the balance of expenditure of raw silk. If Government agree, the procedure will be adopted from the year 1949-50 onwards.

4. Para III - Trading Account.

As the sound and correct method with regard to the basis of valuation of stock in trade and which has been generally accepted by all, is to value the stocks at all-in-cost of production or simply designated as "cost" or market prices whicheve is lower. on the date of stock taking, I suggest that this method may be ordered to be adopted as Audit can have no objection to this procedure being adopted. A sound policy is always to estimate the cost or market value on a most conservative basis as otherwise we may be reckoning on unrealised profits.

5. Para IV. - Silk issued to weaving section.-

As the weaving section is worked on an experimental basis only and as our main scheme is production of raw silk, the procedure adopted at present in regard to transfer of raw silk to the weaving section on the selling or market rates on the date of issue may be allowed to be continued till the weaving section is established on a permanent footing. In respect of the twisting charges, viz, Rs.9/- and Rs.7/4/0 per lb. the position has been since examined after the installation of the twisting plant at the Govt. Silk Filature and as it was found that the actual twisting charges work out to only Rs.7/- and Rs.2/5/0 for organzine and Tram silk respectively, I have permitted the Sericultural Expert to adopt the latter rates.

/p.t.o./

Para V Financial Review:-

The year 1948-49 was perhaps the worst period for the filature industry in India when it suffered most due to terrible slump in the silk market caused by large scale imports of foreign silk at ridiculously low prices. As pointed out by audit, about 25000 lbs. of silk had to be sold during the year at prices lower than their cost of production. In spite of this, the stocks held at the filature were still heavy and as there was no indication as to the future import policy to be followed by the Government of India we had necessarily to take a conservative policy in the purchase of cocoons. Looking back, at the state of affairs then existing I feel that the purchase policy adopted was fully justified as it resulted in limiting the losses to the minimum. It may be mentioned in this connection for the information of Government that the contemporary filatures in Mysore State are reported to have suffered much severe losses during the period.

In regard to the Accountant-General s suggestion for the disposal of the idle "Kollegal Silk Filature" plant and machinery, I have only to state that the present unsatisfactory state of affairs may be only a temporary phase and that when the position improves it may be possible to run this filature also or to utilise it for other purposes. Viz., for locating the weaving factory, etc. It is very undesirable as we have so often maintained in arguing the case filed by the old Kollegal Silk Filatures, Ltd., to sell the Kollegal Silk Filature to a private party and allow it to be worked ~~as a firm~~ as the resulting rivalry will only prove ruinous. The buildings are at present being utilised to house some of the offices of the subordinates of the Sericultural Expert, Kollegal, for the storage of grains by the Kollegal Cooperative Stores, etc., and some revenue is being realised. The position will, however, be watched for two years and action taken if it becomes necessary to dispose off the Kollegal Silk Filature.

Para VI:- Balance Sheet.-

The Sericultural Expert has been asked to open and maintain a register of fixed assets as suggested by the Accountant General as from 1-4-50. The rates of depreciation charged for the buildings, plant and machinery in the filature are based on the rates prescribed in the Incometax manual 1946 edition and agreed to by the Chief Auditor, State Trading Schemes who audited the accounts of the filatures so far. The Accountant-General, Madras has raised a similar objection in the audit report relating to the Kerala Soap Institute, Calicut. I shall examine the position with reference to the procedure obtaining in other commercial concerns under this department and in consultation with the Accountant-General and revise the rates and the method of charging depreciation, if found necessary

Para VII:- Contract for sale of Govt. silk by agency system

The agents are really entitled to the commission on the sales of silk done directly by the department also as per terms of the draft agreement (this is in line with the practice followed in the Kollegal Soap Institute and the Govt. Oil Factory, Calicut) and the Sericultural Expert allowed them commission on such sales till he was told not to do so following the decision not to get the agreements executed. The finalisation of the agreement in consultation with the Government Solicitor took a long time and as most of the silk had been sold by them, it was felt no useful purposes would be served in getting the agreements executed. As the commission paid to the agents by the sericultural Expert was based on the assumption that the agreement would be duly executed, I request that the payments made may kindly be regularised by Government by according sanction to the expenditure of Rs.1368/5/-

Para VIII. Losses in the process of cleaning, winding, bleaching, etc.

The Sericultural Expert has already been conducting experiments since some time now to assess the percentage of loss in the various processes pointed out by audit and I have already approved the following percentages:-

	Max. loss. per cent.
(1) Loss in drying of cocoon.	9.2%
(2) Loss in cleaning Silk	1%
(3) Loss in winding silk	1%

In regard to the maximum loss that may be allowed in bleaching silk, orders will issue very early.

Para IX:- Cost accounts.

The Sericultural Expert, Govt. Silk Filatures, Kollegal, has explained that if the costing system as described by the Accountant-General to assess the cost of production at every stage, viz., (1) cost upto the stage the cocoons are sorted and issued for reeling, (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc. etc. should be introduced, it is necessary that a separate cost account has to be appointed for the purpose. He further reports that it is not necessary now that this system should be introduced as we are now concerned with the problem of devising ways and means for effecting a continuous working of the filature without any interruption and that when this has been satisfactorily solved, the suggestion of the auditors for introducing a cost system of accounts in the filature may be considered. I agree with the views of the Sericultural Expert, Govt. Silk Filatures, Kollegal, and suggest that the question may be deferred.

FOR DIRECTOR OF INDUSTRIES & COMMERCE.

TRS/27/7

Development Department.

Memorandum No.31371 MI/50-2 dated the 5-8-50

Subject: Industries - Sericulture - Government Silk Filatures, Kollegal - Audit report of the Filatures for the period ending from 1.10.1948 to 31.3.1949.

Ref: From the D.I & C. letter No.2123 DI/49 dated the 24th July 1950.

The attention of the Director is invited to the para III of the audit report and he is requested to offer his remarks on the observations of the A.G. regarding the value of stock of silk found deficit during stock verification and value of fabrics lost by theft.

2. The Director is also requested to state the basis on which Rs.7 and Rs.2-5-0 were fixed as charges for twisting and for organzine and tram silk respectively.

To
The D.I & C., Madras.
R.D.20.8.1950.

R. Koleswara
Deputy Secy.

IV 57 29/51

PS/29/1 107/2418

I Sheet

Development Deptt.

Memorandum No. 31371 MI/50-5(D) 23(8).50

Subject: Accounts - Audit report on the accounts of the G.S.F., Kollegal for the period from 1(10)48 to 31(3)49 - Remarks.

Ref:- From the D.I&C., letter No. 2123-DI/49 (D) 24.7.50.

Para I - Regarding Maintenance of Accounts - The Dir. is requested to take action early on the suggestions made by the A.G. in the audit notes sent to him for the maintenance of certain add'l accounts and to submit a report to the Govt.

Corresp. of Secretariat notes.

Para IV - Regarding transfer of silk to weaving Section - ~~The Dir. is informed that~~ In the case of closing stock, ~~it is proposed to accept~~ the suggestion of the A.G. to value the stock on the basis of the cost of production instead of at the actual selling rate ruling on the last day of the trading period. In regard to silk issued from stock to the weaving Section also, the A.G. suggests that the rate should be fixed with reference to the actual cost of production of silk. The Dir. suggests that the present practice of valuing the silk issued to the weaving Section at the selling or market rates ruling on the date of issue till the weaving section is made permanent. The Dir. is requested to state clearly what difficulties will arise, if the A.G's suggestion is given effect to while the weaving Section is yet temporary.

P. 3 of Secretariat notes.

P. 5 of Secretariat notes.

P. 2 of Secretariat notes.

Para V - Financial results - While discussing the reasons for the loss incurred by the filatures during the half year under report, the A.G. has raised the question of desirability of revising the present policy in regard to purchase of cocoons for stocking to enable the continued working of the filatures during the lean months also. The Dir. is requested to offer his specific remarks on the suggestion.

3 on P 7 above

Para 1 on p. 10 (a) of Secretariat notes.

Para VI – Assets (V) – Land and Buildings. The D.I.P. is requested to intimate to the Govt. the action taken by him in regard to the suggestion that a register should be opened and value of the several assets for which different rates of depreciation have to be allowed entered therein and that the rates of depreciation to be charged to several assets and the method of charging the depreciation may be determined now.

Para VII – Contract for sale of Govt. Silk by Agency System. The D.I.P. is requested to state whether the draft agreements were prepared in consultation with the Govt. Solicitor in the first instance and if not, why it was not done so,

Para VIII – Losses in the process of cleaning, etc. The Director is requested to issue early orders in regard to the percentage of loss in bleaching silk and intimate the fact to the Govt.

To
The D.I.P., Madras.

R. Kalyanasundaram Rao,
Dep. Secretary to Government.

R.O. 20.9.50.

DEPARTMENT OF INDUSTRIES & COMMERCE.

From
Sri. M.T. Raju, Bar-at-Law, I.C.S.
Director of Industries & Commerce,
Mackay's Gardens, Madras 6.

To
The Secretary to Government,
Development Department,
Madras.

No. 2123 D1/49 dated 17/8/50.

Sir

Sub: Industries - Sericulture - Silk Filature Kollegal - Audit report for the period from 1.10.48 to 31.3.49.

Ref: Government Memo No.31371-M1/50-2, Dev. dated 5/8/50.

I invite a reference to this office letter No.4955 D1/48, dated 1/9/49, wherein I had already reported to Government that out of Rs.321-0-6 which is the total value of fabrics lost, 50% had been recovered from the sentries who were on duty and that the balance of the 50% was written off by me.

As regards the deficit in the stock of silk to the value of Rs.6,617/- found at the time of the stock verification, I have to state that the Sericulture Expert has been asked to explain the reasons for the shortage and his reply is awaited. I have reminded him to expedite submission of his report and I shall submit my remarks on receipt of his report.

With reference to para 2 of the Government Memo cited I have furnished below a statement showing how the cost of production of organizine and Tram Silk has been worked out at Rs.7/- and Rs.2/5/- respectively per lb.

Particulars of expenses for the production 192 lbs of organizine and 552 lb of Tram on the basis of 8 lb per day of working days 2 shifts.

		Organzine		Tram
(a)	Pay and D.A. of Estt.	Rs. 220- 0-0	Rs.	110- 0-0
(b)	Wages	" 180- 0-0	"	268-13-0
(c)	Electric current charges	" 192- 2-6	"	96- 1-3
(d)	Steaming charges (Ls)	" 20- 0-0	"	20- 0-0
(e)	Stores consumed	" 16- 7-0	"	16- 7-0
(f)	Interest on capital	" 94- 9-9	"	94- 9-9
(g)	Depreciation of machinery	" 485-10-8	"	227-13-4
(h)	Depreciation on Buildings	" 33- 6-0	"	33- 6-0
(i)	Allowance towards loss of silk in twisting	" 108- 0-0	"	414- 0-0
		1320		
		" ~~1,320~~- 3-11	"	1,281- 2-4
Average twisting charges		1,320- 3-11 / 192		1,281- 2-4 / 552
		= 6-14-0 or 7-0-0		= 2-5-0 or 2-5-0

Director of Industries & Commerce.

~~34~~
~~32~~ 60

Dev. Deptt.

To A.S.

P. 33 ante submitted for perusal.
The further report of the Div. referred to ~~on~~ at P
at p. 33 ante and the reply of the Div. to the
memo. at pp. 31-32 above may be awaited.
(R.D. 20.9.57).

4.9.57

24-21
7/9

VI

61 33 35

Dev. Dept

Memo. No. 31371 M.I/50-6 D 6.9.50

Industries ⊢ Sericulture ⊢ G.S.P., Kollegal

Audit report for the period from 1.8.48 to 31.3.49

Ref:— from the D.I.& C. 2123 D.I/49, D. 17.8.50.

The D(V) is requested to ~~State~~ report here the charges fixed by him to organzine and tram silk compared with those levied by private firms

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6950

R. Koteswara Rao,
Deputy Secretary to Govt.

The D.I.& C., Madras.

Govt/725

VI

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DEPARTMENT OF INDUSTRIES & COMMERCE.

106747

From
Sri.M.T. Raju, Bar-at-Law,I.C.S.,
Director of Industries & Commerce,
Mackay's Gardens, Cathedral P.O.
Madras 6.

To
The Secretary to Government,
Development Department,
Fort St. George,
Madras.

No.2123 D1/49 dated 13/10/50.

Sir,

Sub: Accounts - Audit report on the accounts of the Govt. Silk Filature, Kollegal, for the period from 1/10/48 to 31/3/49.

Ref: Govt. Memo.No.31371 MI/50-5, Dev., dated 23/8/50.

Para 1 - regarding Maintenance of Accounts.

I have already asked the Sericultural Expert to take urgent action to maintain the additional accounts as suggested inthe audit note viz. para XXVIII.

Para IV - regarding transfer of silk to weaving section:

I have called for the remarks of the Sericultural Expert in the matter and shall send my reply on hearing from him.

Para V - Financial review.

The suggestion of the Accountant General that sufficient stock of cocoons should be built up during seasons to tide over the lean months is sound in principle, but its practicability limited on account of the fluctuating conditions of the silk market, accentuated particularly due to the absence of a steady policy in regard to imports of raw silk. It may be however mentioned in this connection that with a view to build up adequate stocks, the Sericultural Expert was authorised to purchase unrestricted quantities provided the price did not exceed a certain prescribed limit. I may add that no efforts are being spared ensure continuous working of the filature by building up sufficient reserves of cocoons.

Para VI - Assets - Lands and Buildings:

I have informed the Accountant-General that the rates of depreciation now being charged for the various assets at the Government Silk Filature, Kollegal, are satisfactory and there is no need for the revision of the existing rates. As regards the method of calculating depreciation, I have suggested that the existing "deminishing Balance" method may be replaced by the "straight line" method so as to be in line with the system being adopted in the other commercial concerns under the control of this Department subject to the approval of Accountant-General. I shall take further action inthe matter. As regards the Accountant-General's suggestion to open a register showing the several assets, the Sericultural Expert has been instructed to take necessary action.

Para VII--Contract for the sale of Government Silk by agency:-

The draft agency agreement was prepared only in consultation with the Govermment Solicitor, Madras.

Para VIII- Losses in the ~~proc~~ cleaning etc.

I have fixed the following limits upto which loss can be allowed in bleaching silk:-

Good Silk	22%.
Sub-standard silk.	28%.
Duppion Silk	30%.

for Director of Industries & Commerce

MNG/23.10.

To DS

The further report promised at D on p 39 above may be awaited. till 15-11-1950.

28/10/50

VIII

67 A S.F.

Department of Industries & Commerce

From:
M.T. RAJU Esquire, BAR-AT-LAW, I.C.S.,
Director of Industries & Commerce,
Cathedral P.O., Madras.6.

To:
The Secretary to Government,
Development Department,
Fort St. George, Madras.9.

No.2183/D.1/49 dated 23rd November, 1950.

DCO 179597/M2
27.11.50

Sir,

Sub: INDUSTRIES- Sericulture- Government Silk Filature- Kollegal -- Audit report for the period from 1st October 1949 to 31st March, 1949.

Ref:-Government Memorandum No.31371/M.1/50-6, Development Department, dated 6th September, 1950.

The charges fixed by me for organzine and tram silk are higher than those levied by private parties at present which are only about Rs.5/- and Rs.2/- a lb. respectively. The private parties are reported to vary the rates according to the conditions obtaining in the market.

for Director of Industries & Commerce

MNG/24.11.

IX

Industries & Commerce Department

No.2123/D.1/49, dated 23--11--1950.

From:-
M.T. RAJU Esqr., Bar-at-Law, I.C.S.,
Director of Industries & Commerce,
Madras.6.

To:-
The Secretary to Government,
Development Department,
Madras.9.

Sir,-

sub: INDUSTRIES- Sericulture- Govt. Silk Filatures- Kollegal- Audit of Accounts- from 1.10.48 to 31.3.1949.

I invite reference to para VIII of the audit on the accounts of the Government Silk Filatures, Kollegal, for the period 1.10.1948 to 31.3.1949 wherein the Accountant-General has pointed out that maximum percentage for the losses in drying cocoons, cleaning, winding and bleaching processes of silk should be fixed. I have reported to Government in this office letter No.2123.D1/49 dated 24.7.1950, the percentages fixed already in the case of drying cocoons, cleaning and winding silk and in this office letter No. 2123-D.1/49 dated 13.10.1950 the maximum percentages fixed in the case of bleaching silk. The Accountant-General, Madras, has now stated that approval of Government for the percentages of losses fixed in bleaching silk should be obtained. As the limits fixed viz., good silk--2%; sub-standard silk 28%; and Dupplin silk 30% by me were based on the experience gained in the weaving section from 1947-48 and 1949-50 and as they are considered reasonable I request that Government may be pleased to approve the same at an early date.

for Director of Industries & Commerce

MNG/24/11/-

Miscellaneous. 71 43

Development Department

~~C.No. 31371-MI/50.~~

~~Sub:~~ Industries - Sericulture - Government Silk Filatures, Kollegal - Audit Report for period from 1-10-48 to 31-3-1949 - Orders passed.

Read: The following papers:—

From the A.G., o.OA-33~~8~~-50/49-50/725 dated 6th April 1950.

From the D. I & C. No.2123 DI/49 dt. 24-7-50.
Memo No.31371 MI/50-2 dated -8-50.
Memo No.31371 MI/50-5 dated 23-8-50.
From the D. I & C. No.2123 DI/49 dated 17-8-50.
Memo No.3137I MI/50-6 dated 6-9-50.
From the D. I & C. No.2123 DI/50 dt. 13-10-50.
23-11-50.

G.O. ~~Ms.~~ No. 5334 DATED 29/12/50

Read — G.O. No 5334, Development, dated 2nd December 1950, recorded.

2. Paragraph I.— The D. I & C., is requested to report in due course the date on which the maintenance of additional accounts suggested by the Accountant-General has been commenced.

3 Paragraph II— Manufacturing Account.— The D. I & C. is requested to follow the procedure suggested by the A.C. i.e., to value the bye-products, duppion silk and silk waste at their average selling rates and to treat the balance of expenditure as cost of production of raw silk

4 Paragraph III—Trading Account.— The Government consider that the procedure to value the closing stock at the cost of production inclusive of overhead charges which is followed in other commercial concerns may be followed in Government Silk Filature also.

The report from the D. I & C. in regard to the deficit in the stock of silk to the value of Rs.6,617 found at the time of the stock verification is awaited.

5 Paragraph I.—Combined manufacturing and tradi Account of weaving section.— The Government direct th the charges for organizine and trar silk be fixed at (Rs Six only) and Rs.2-4-0 a lb. respectively. (Re Two annas/four only)

5. The report from the D. I & C. in regard to the difficulties that are likely to arise in giving effect to the A.G.'s suggestion that the rate for silk issued to the weaving section should be fixed with reference to the actual cost of production of silk is awaited.

6. Paragraph V—Finarcial review.—

The Government consider that the question of disposal of idle plant and machinery, etc., ~~relating to~~ of the Kollegal Silk Filatures should be taken up after watching the position for not more than one year. The D. I & C. is, therefore, requested to submit by 1-1-1952 a report reviewing the position.

7. Paragraph VI—Balance Sheet.—

The D. I & C. is requested to report in due course the final action taken in regard to the method of calculating depreciation in consultation ~~in~~ with the A.G. The D. I & C. is also requested to report in due course the date on which a register showing the several assets of the Filatures has been opened.

8. Paragraph VIII—Contract for sale of Government Silk by Agency system.—

Sanction is accorded to the writing off ~~xx~~ of an amount of Rs.1368-5-0 being the commission irregularly paid to the agents on the sale of silk effected direct by the Department.

9. Paragraph VIII—Losses in process of cleaning, winding, bleaching etc.—

The Government approve the following maximum percentage of loss in the process of drying cocoon, cleaning, etc. of raw silk fixed by the D. I & C.:—

	Maximum loss ~~allowed~~
(1) Loss in drying of cocoon	9.2%
(2) Loss in cleaning silk	1.0%
(3) Loss in winding silk	1.0%
(4) Loss in bleaching silk-	
(a) good silk	2.0%
(b) substandard silk	3.0%
(c) Duppion silk	3.0%

P 45

Paragraph IX—Cost accounts.

B p 1795N

In the circumstances explained by the D. I & C. the Government direct that the suggestion of the A.C. to introduce process costing in the Filatures be deferred till the problem of working the Filatures continuously is solved satisfactorily.

8PW 8/2/50 9/2/51

To the D. I & C.
" A.D. (Thro' Dy. Secy.)

(By order of His Excellency the Governor)

3 DC.

C BE agenda.

10-2-51 for paras 2 & 4, 5 & 7.

1-1-52 para 6

Action taken w.r.t. 'A' above
Vide Dte's letter 2122 Dy/63 2.6.51

R. Krishnaswami Esq.,
Deputy Secretary to Govt.

2

Department of Industries and Commerce

Dev 90271/M1

From:
Sri M.T. Raju Bar-at-Law, I.C.S.,
Director of Industries and
Commerce, M a d r a s.6.

To:
The Secretary to Government,
Development Department,
M a d r a s.9.

No.2123-D1/49 dt. 6-8-1951.

SECTION ASSISTANT SECRETARY
DEVELOPMENT DEPARTMENT
1961

Sub: Govt. Silk Filatures- Kollegal- Audit report for the year 1948-1949- (1-10-48 to 31-3-1949).

Ref: G.O.Ms. No.5334/Development Department, dt. 29/12/50.

With reference to the pending objections raised in the audit report on the accounts of the Government silk filatures Kollegal for 1948-49 I furnish below my further remarks:

Para I - The Sericultural Expert has been instructed to report the dates on which the maintenance of additional accounts was commenced and a report is awaited from the Sericultural Expert. I shall submit a further report on hearing from the Sericultural Expert.

Para III (Sub-para):- The sum of Rs. 6617/- referred to by the Government includes besides the value of silk found short in the annual stock verification, the value of silk waste found short as also the value of free samples given to parties and loss in testing silk etc., The value of silk found short in the annual verification viz., Rs. 6218-6-6, has been written off by Government in G.O.Ms. No.1992 Development Department dated 1st May, 1951. The other items come within my powers of sanction.

Para IV (sub-para):- The Accountant-General, Madras has suggested that the issues of raw silk to the weaving section should be valued with reference to their actual cost of production instead of at the selling rates. I wish to point out that in working out the actual cost of production can be worked out only at the end of the financial year, for until then the indirect charges which have to be debited on account of depreciation, audit fees, supervision charges etc., will not be correctly known. Only by adopting provisional figures, on the basis of the previous year's indirect charges will it be possible to work out the cost of production of silk at intermediate stages. If Government would agree to the adoption of provisional figures in respect of the indirect charges, it would be possible to give effect to the Accountant-General's suggestion.

Para VI I wish to state that my final report regarding the method and the revised rates to be adopted for charging depreciation has been submitted to Government with copy to the Accountant-General, Madras in this office letter No.1487-F.4/50 dated 30th July, 51.

for Director of Industries and Commerce

MNG/13.8.

Accts

No / The procedure suggested in the remarks of Finance may be followed.

2387

Dev (co) 190271/MI/57-1
23.8.57

SENIOR ASSISTANT SECRETARY, FINANCE DEPARTMENT
6/82/b
24 AUG 1951
Accts
GOVERNMENT OF MADRAS

Finance (Accts)

The letter from the D.I.&C. on p.1. ante, and the notes of Dept thereon, may be perused.

Finance may suggest that ~~agree to the proposal of Dept as above~~ before accepting the procedure suggested by the D.I.&C. at 4 in p. 2 above, the A.G. may be asked whether he agrees to the adoption of procurement terms for working out the cost of products of milk

A

17789/b1&26 Acts/51

3957 Dept

1-9-51

Dev Dept/N26 SEP 1951
JOINT SECRETARY TO GOVERNMENT

Note

With ref. to 'A' above a draft memo to the A.G. is submitted for approval

Dfee 12/9/57 2387

12/9/57

77 Dev Deptt

Memo 90271 MI/57. 2 d 14-9-57

Sub: Govt. Silk Filatures, Kollegal - Audit report for the yr. 1948-48 (1-10-48 to 31-3-49)

Ref. Secy (Ms) 5334 Dev Deptt d. 29.12.50

From the Dte No 2123 DI/49 d. 6.8.57.

A copy of the letter cited from the Dte is communicated to the A.Gr. The attention of the A.Gr. is invited to para IV (sub para) where the Dte has stated that only by adopting provisional figures, on the basis of previous year's indirect charges will it be possible to work out the Cost of production of Silk at intermediate stages. The A.Gr. is requested to state whether he agrees to the adoption of provisional figures for working out the Cost of production of Silk.

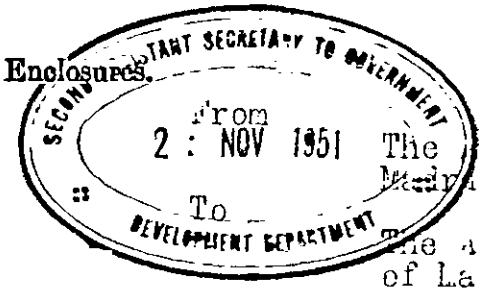
12/9/57 12/9/57

To The A.Gr.
(with Copy of l.cf.

No. O.a.33f-50/49-50/37 **Office of the Accountant-General, Madras.**

Fort St. George, dated 27 October *195* 1.

Enclosures.



119036

From The Accountant General, Madras.

To The Assistant Secretary to the Government of Madras, Development Department, Fort St., George, Madras.

Subject: Government silk filatures Kollegal - audit Report for the year 1948-49 (1-10-1948 to 31-3-1949)

Sir,

With reference to Government Development department memorandum No.90271 A1/51-2 dated 14-9-51 on the subject indicated above, I have to state that there is no objection in audit to the adoption of provisional figure in respect of indirect charges for purposes of arriving at the cost of production as suggested by the Director of Industries and Commerce in his letter No. 2123-D1/49 dated 6-8-51 It is however necessary to maintain a register for indirect charges in order to compare the actual charges with the provisional figures adopted. This would also facilitate revision of the indirect charges based on actuals if necessary.

Yours faithfully,

Assistant Examiner.II.

ks.26/10.

Dev (MI) Dept
81

Memo: 9027/MI/51-4 d. 30.11.51.

Sub: Industries - Sericulture - Govt. Silk Filatures Kollegal - Audit Report for the yr 1948-49 (1-10-48 to 31-3-49) - Adoption of provisional figures.

Ref. From the Dte No 2123 DI/49 d. 6.8.51.
From the A.Gr. O.A. 33 F-50/49-50/376 d. 31.10.51.

—×—

The Govt. approve the suggestion of the Dte that provisional figures in respect of indirect Charges may be adopted for purposes of arriving at the cost of production of raw-silk supplied to the weaving section of G.S.F, Kollegal. It is however necessary to maintain a register for indirect Charges in order to compare the actual Charges with the provisional figures adopted, to facilitate revision of indirect Charges based on actuals, if necessary. The Dte is requested to issue instructions in the matter.

To The Dte
" A. Gr.
Cc

Note The letter from the Addl at p. 5 C.F. may kindly be perused. A draft memo is submitted for approval.

Fin may see before issue

Dev no. 9027/MI/51.3
P. 11.51

ADDITIONAL DEPUTY SECRETARY
10 NOV 1951
FINANCE DEPARTMENT

Finance (Accts)

[Previously seen in Finance on p. 2. C.F.]

The draft memo on p.1. alone may be

accepted

21-11-57.

21.11.57

123402

Dfs

Dev (MI) Dfs

Fin no 83017 Accts 1

The draft memo at p1 above may be seen

— 22-11-57.

30/11/57 S

30/11

ENTRY TO GOVERNMENT
NOV 1951
DEPARTMENT

[Issued as Memo: 9027 MI/57-4 d. 30-11-57]

Ph. proof for approval and early return pl 143-11 83

SECRET I AMBOTIC

Public Enq I
GOVERNMENT
DATED 15/2/51
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MADRAS DEVELOPMENT DEPARTMENT

Approved
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Sup
MD

G.O. No. 5334, 29th December 1950

Industries—Sericulture—Government Silk Filatures, Kollegal—Audit Report for period from 1st October 1948 to 31st March 1949—Orders passed.

READ—the following papers :—

I

Letter from Sri A. Balakrishnan, Accountant-General, Madras, to the Secretary to Government of Madras, Development Department, dated the 6th April 1950, *Fort St. George*, No. O.A. 33 f-50/49-50/725.

Audit Report on the Accounts of Government Silk Filatures, Kollegal, for the period from 1st October 1948 to 31st March 1949.]

I am to forward herewith for the information and orders of Government, the Audit Report on the accounts of Government Silk Filatures, Kollegal, for the period 1st October 1948 to 31st March 1949.

2. Special attention of Government is invited to paragraphs V, VII and IX of the report.

3. The Audit Report and Accounts may please be got printed and made available to the Public Accounts Committee as in the case of other Government Commercial concerns.

4. Copies of the report are being forwarded to the Secretary to the Government of Madras, Finance Department, Director of Industries and Commerce and the Sericultural Expert, Government Silk Filatures, Kollegal, for information and necessary action.

1 Enclosure

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ENCLOSURE.

REPORT ON THE AUDIT OF THE ACCOUNTS OF THE GOVERNMENT SILK FILATURES, KOLLEGAL, FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949.

The Government Silk Filatures, Kollegal, which was a State Trading Scheme till 30th September 1948 was treated as a Government commercial concern with effect from 1st October 1948 with reference to the orders contained in Government Memorandum No. 41154-D.I./48 2, Development, dated 12th May 1948. This is the first audit after commercialization.

In addition to a general scrutiny of the documents for the period from 1st October 1948 to 31st March 1949, a detailed audit of the accounts for February 1949 was conducted. The audit for the previous half-year was conducted by the Chief Auditor, State Trading Schemes.

The following documents, duly audited with reference to the initial accounts maintained at the Filatures are appended to the report :—

(1) Statement of affairs as on 1st October 1948 based on the balance sheet audited by the Chief Auditor, State Trading Schemes.

(2) Manufacturing account of silk for the period 1st October 1948 to 31st March 1949.

(3) Trading account of silk for the period 1st October 1948 to 31st March 1949.

(4) Combined manufacturing and trading account of weaving section for the period 1st October 1948 to 31st March 1949.

(5) Combined profit and loss account (silk and silk fabrics) for the period 1st October 1948 to 31st March 1949.

(6) Balance sheet as on 31st March 1949.

(7) Statement showing monthly consumption of cocoons, wages paid and yield of silk (Annexure A).

(8) Interest calculation sheet (Annexure B).

(9) Statement of land, buildings, plant and machinery, etc. (Annexure C).

(10) Statement of sundry debtors and sundry creditors (Annexure D).

(11) Statement of outstanding liabilities (Annexure E)

(12) Selling rate of silk on 31st March 1949 (Annexure F).

The form in which the initial accounts are mentioned is generally the same as in the other commercial institutions under the Department of Industries and Commerce, adapted with suitable modification with reference to the silk industry. These accounts satisfy, in the main, audit requirements. Suggestions for maintenance of certain additional accounts to facilitate an easy compilation and check of the final accounts in commercial form have been made in the audit notes sent to the Director of Industries and Commerce separately.

II. Manufacturing account.—The details of the manufacturing cost worked out from the accounts now being maintained, exclusive of indirect charges are as below :—

	Output of silk.	Cocoon consumed.	Cost of cocoons.	Wages.	Other charges less cre. ite.	Total.	Average cost per lb.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	LB.	LB.	RS.	RS.	RS.	RS.	RS.
1948-49—							
First half-year ..	14,091	314,614	2,36,249	71,131	63,409	3,70,789	26·3
Second half-year.	13,293	235,197	2,96,150	55,669	54,220	4,06,039	33·5
For the year 1948-49	27,384	449,811	5,32,399	1,26,800	1,17,629	7,76,828	28·4

The cost during the year under report was Rs. 28 per lb. as against Rs. 27 and Rs. 41 during the years 1947-48 and 1946-47, respectively. A marked increase in the cost of cocoons consumed and a reduced yield during the second half-year due to the poor quality of cocoons account mainly for the increased cost of production. It was explained that, during the second half of the year, the price of cocoons went up due to the increase in the market rate of silk, though the quality which was then available was not of the same standard as that obtained during the first half. Ex-gratia payment of wages to labour in respect of the period of closure from 19th July to 30th September 1948 and the necessary standing maintenance charges incurred during the period from 8th to 31st March 1949 in respect of the further temporary closure of the Filature from 8th March to 16th August 1949 also accounted, to a certain extent, for the increased cost of production. The pay and allowances of the officers and the staff have been allocated between factory overheads and general overheads in the proportion of 2 : 1, with reference to Government Memorandum No. 52347 D-1/47-4, Development, dated 29th July 1947. The charges relating to motor lorry have been allocated in the proportion of 2 : 1 : 1 to cocoons, fuel and carriage outwards, respectively. The cost of production of silk, duppion and silk waste during the second half-year has been allocated in the ratio of 27·34 : 12·22 : 2·00, based on the average selling rates of the various commodities. This apportionment does not appear to be a correct one, in view of the fact that duppion silk and silk waste have to be treated as by-products resulting from the main industry. The correct procedure would appear to be to value the by-products named above at a rate equal to their saleable value in the market, which should be expected to include any incidental expenses connected with their marketing, proportionate labour engaged in waste cleaning, etc. and deduct their value from the total cost of production according to manufacturing account and arrive at the cost of production of the main product, viz., silk.

A statement showing the monthly consumption of cocoons, wages paid and the yield of silk, duppion and silk-waste is attached at Annexure A. It will be seen therefrom that the percentage of wages to cocoons consumed was as high as 39 in March 1949. This high percentage was a result of the closure of the Filature from 8th March 1949. The lowest percentage obtained was in November 1948, viz., 20·8 per cent. This was apparently due to the availability of cocoons on a large scale and consequent increased production.

The yield of silk from October 1948 to February 1949 was a little below the normal standard of 5·6 per cent expected from cocoons of standard renditta. This was stated to be a result of purchase of cocoons below the

standard renditta in order to keep the filatures running. It was also explained that the purchase of cocoons is usually made only with reference to a visual test of the probable renditta and that a margin has to be allowed for variations in renditta arrived at in actual production.

III. Trading account.—The sales during the year 1948–49 amounted to Rs. 14,55,332 (as per details given below).—

	Rs.
First half	3,06,555
Second half	11,48,777
Total ..	14,55,332

as against Rs 7,20,061 and Rs. 21,57,563 during the years 1947–48 and 1946–47. The increase in the sales was due to a good demand for silk produced at the Filatures consequent on the lifting of the controls during the year. A major portion of the stock relating to 1946–47 which was produced at a higher cost has been disposed of during the year.

A sum of Rs. 11,317 has been paid as commission to agents appointed for sale of silk with reference to the orders of Government in G.O. No. 1406, Development, dated 20th March 1948. The system of sale of silk through agents on commission basis is reported to have since been discontinued—vide also paragraph VII infra

A sum of Rs. 6,617 being the value of stock found deficit during stock verification is included in the value of closing stock, as sanction to the write-off of the value is still awaited. Similarly a sum of Rs. 321 being the value of fabrics lost by theft is also included in the value of closing stock in weaving section as sanction to the write-off is still awaited. It has so far been the practice to value the closing stock of silk at the actual selling rate ruling on last day of the trading period (vide Annexure F). Duppion silk and silk waste, the by-products have been valued at Rs. 10 and Rs. 2 per lb., respectively, which have been fixed as their saleable value. The procedure of valuing the closing stock of silk at selling rate requires, however, to be reconsidered. The correct procedure would be to value the closing stock at the cost of production inclusive of overhead charges as in other commercial concerns, as for example cinchona, Kerala Soap Institute, etc. The suitability of revising the procedure and to adopt the valuation based on the cost of production may be considered by Government.

IV. Combined manufacturing and trading account of weaving section.—An experimental weaving section was installed in the Filatures as a temporary measure during the year 1947–48 with reference to the orders contained in G.O. No. 3419, Development, dated 25th June 1948. The question of retaining this as a permanent measure and to introduce the working on power-looms is stated to be under consideration. A combined manufacturing and trading account in respect of the weaving section has been prepared. The working of the weaving section during the year has resulted in a profit of Rs. 4,251 in respect of sales to an extent of Rs. 26,355 which has been taken to the main profit and loss account of the Filature as a whole. The profit in respect of this section during 1947–48 was Rs. 1,249 in respect of sales to an extent of Rs. 8,930.

Silk issued to the weaving department has been priced at the ruling selling rates at the time of issue and not on the actual cost of production.

The selling prices of fabrics from the weaving section are so fixed as to allow a flat margin of eight annas per yard to cover incidental expenses and a small margin of profit, in accordance with the orders of the Government in G.O. No. 3419, Development, dated 25th June 1948, as amended by Government Memorandum No. 93082-D1/48-1, Development, dated 13th September 1948. A further addition of fixed rates of Rs. 9 and Rs. 7-4-0 for organzine and tram respectively towards throwing charges has been made to the selling rates of silk, in accordance with the orders of the Director of Industries in his No. 3869-D/46, dated 27th April 1948, reproduced as annexure to the Government Order referred to above. The adequacy or otherwise of this addition will have to be considered by Government while fixing the selling rates of finished fabrics, as this addition appears to be in excess of the actual throwing charges which are stated to be about Rs. 6 per pound. The rates at which issues of silk from stock to the weaving section are to be made will have also to be fixed with reference to the actual cost of production of silk.

V. Financial review.—The working of the Filatures during the half-year under report has resulted in a net loss of Rs. 87,707. The loss for the year as a whole was Rs. 1,36,079 as against Rs. 82,411 in 1947-48. The total sales of silk during the year were 52,630 lb. Out of this about 25,000 lb. relating to stock of 1945-46 and 1946-47 were disposed of during the year at prices lower than their cost of production.

The loss was also to some extent necessarily the result of the closure of the Filatures first from 19th July to 30th September 1948 for nearly two and a half months and again from 8th March 1949, notwithstanding the retrenchments effected, consequent on the closure and reduction in the number of reeling basins gradually as a result of the conservative policy adopted in the stocking of cocoons. As stoppage of work in the Filatures even without payment of any ex gratia wages to workers has been estimated under existing conditions to involve a loss of Rs. 15,600 per mensem, the desirability of revising the present policy in regard to purchase of cocoons with a view to stocking of requirements, stated to be scientifically possible with the facilities available at present, to enable the continued working of the Filatures during the lean months also, though with reduced number of basins, may be considered as also measures to secure this end.

Further in view of the fact that the "Government Silk Filatures" containing 424 basins are not worked to full capacity—

First half	..	47,372
Second half	..	87,707
Total	..	1,30,579

and as the possibilities of utilizing the plant and machinery of the "Kollegal Silk Filatures" which contains 150 basins for production appears to be remote, the question of the disposal of the idle "Kollegal Silk Filature" plant and machinery, etc., may be considered by Government. If the plant and machinery are disposed of, the reduction of the present depreciation and interest charges on a capital of about Rs. 1,05,460 (as on 1st April 1949) will aid to a large extent in the reduction of the present overheads.

	Average active basins.		Average active basins.
April 1948	212	October 1948	169
May 1948	147	November 1948	190
June 1948	150	December 1948	165
July 1948	199	January 1949	87·5
August 1948	Nil.	February 1949	86
September 1948	Nil.	March 1949	68

VI. Balance Sheet—(i) *Capital.*—The opening capital includes the leave and pensionary contribution interest, and audit fees up to 30th September 1948 capitalized as the concern has been required to be treated as a commercial one.

(ii) *Interest.*—Rs. 21,231. The details of calculation are given in Annexure B.

(iii) *Audit fees.*—Rs. 910. A sum of Rs. 910 representing the audit fee calculated at Rs. 70 per working day for a party of three auditors has been adjusted in the accounts.

(iv) *Direction charges.*—Rs. 2,500-1-9. This is adjusted with reference to Director's letter No. 2629-D1/48, dated 17th May 1949.

Assets—(v) *Land and buildings.*—Rs. 4,53,814-6-7. A register of fixed assets showing the value of the several assets has not been kept. It is suggested that a register should now be opened and the values of the several assets classified according to land, buildings, plant and machinery, scientific instruments, etc., for which different rates of depreciation have to be allowed, entered therein. A statement showing the details of the values of the several assets as on 31st March 1949 is at Annexure C.

The rates of depreciation now charged in the accounts are based on the orders of the Director of Industries and Commerce in his Memorandum No. 4743-D/45, dated 28th February 1947. The rates of depreciation to be charged to the several assets and the method of charging the depreciation has now to be determined with reference to the procedure obtaining in other commercial concerns.

The amount charged as depreciation includes a sum of Rs. 4,320 towards depreciation of the assets of the "Kollegal Silk Filatures" taken over by Government.

In his letters No. 1738-D1/48, dated 23rd April 1949 and No. 2062-D1/49, dated 13th November 1949, the Director of Industries and Commerce has addressed the Government for the creation of a profit reserve account and depreciation reserve fund. Pending final orders of Government, depreciation has been charged in the profit and loss account by credit to various assets. The profits accrued up to 1946-47 were Rs. 6,76,396 and losses during 1947-48 and 1948-49 were Rs. 2,17,490. The net profit shown in the balance sheet is the amount arrived at after adjusting the losses from the profits to end of 1946-47.

(vi) *Sundry debtors and sundry creditors.*—A statement showing the details for the above are given in the statement Annexure D.

(vii) *Stock in process.*—Rs. 2,351-3-9. This represents value of the stock in the weaving section as estimated by the Sericultural Expert.

(viii) *Cash on hand.*—Rs. 9,440-0-1. This represents the sum total of the balances held in office as well as the advances held by the Market Officers.

VII. Contract for sale of Government silk by agency system.—In connection with the sale of Japanese silk allotted by the Government of India to this Province, it was decided to include in the agency system the sale of silk produced at Government Filatures, also. The accepted tenders stipulated, among other terms, that the minimum sale of silk per month should be 3,000 lb. and the payment of a commission of one per cent on sales by the

agents. The tenders of the three applicants noted below were accepted in Director's letter No. 6101-D/47, dated 20th May 1949, subject to the execution of an agreement by each of them:—

Messrs. Donti Venkatesiah Chetty & Co., Messrs. V. K. Srinivasa Setty & Co., and Messrs. E. V. Parasiva Murthy & Co.

It appears to have been subsequently agreed to modify the terms as under:—

(i) The minimum monthly sales should be based on a monthly *average* sale of 3,000 lb. of silk or minimum of 36,000 lb. per year; and

(ii) that the agents should also be given the commission of one per cent on sales effected direct by Government without the intervention of the agents (vide letter, dated 10th July 1948, from Donti Venkatesiah Chetty on pages 15 and 16 of file).

These terms were embodied in a draft agreement which was sent to the three selected agents (who had already commenced to function) with letter No. 4059-D1/48, dated 20th November 1948. The agreements were not, however, executed even as late as 5th April 1949, when it was decided to terminate the agency system as no longer necessary, by giving three months notice as provided for in the draft agreement and no further action was taken for finalising the agreement. In this connection it was also held in consultation with the Government Solicitor that the agency were not entitled to the commission on sales by the department (vide Director's letter No. 4059-D1/48, dated 30th May 1949 and Government Solicitor's opinion in his letter No. 2,217, dated 15th June 1949 and subsequent correspondence). As the Director held that he had not contracted to the payment of this commission, commission outstanding payment at the time, amounting to Rs. 424–13 0 as under was withheld.

Name of agent.	Period of sale by department.	Amount of commission.					
		Rs.	A.	P.	Rs.	A.	P.
1 Donti Venkatesiah Chetty ..	10th February to 24th March 1949	271	12	0			
2 G. Parasiva Murthy & Co.	28th February 1949 ..	30	0	0	153	1	0
	17th to 29th March 1949 ..	123	1	0			
	Total ..	424	13	0			

The following payments already made (vide letter No. 2482-C/49, dated 7th September 1949 from the Sericultural Expert) should, therefore, be recovered from the parties or otherwise regularized by Government:—

Name of agent.	Period of sale by department.	Amount of commission.			
		Rs.	A.	P.	
1 Donti Venkatesiah Chetty ..	30th August to 3rd October 1948 ..	116	3	0	(Vr. 232 of 11/48).
	12nd November to 15th December 1948 ..	672	5	0	(Vr. 80 of 1/49).
	7th January 1949	120	1	0	(Vr. 76 of 2/49).
2 G. Parasiva Murthy & Co.	13th November to 13th December 1948	445	3	0	(Vr. 62 of 1/49).
	24th January 1949 ..	15	4	0	(Vr. 73 of 2/49).
	Total ..	1,368	5	0	

VIII. Losses in the process of cleaning, winding, bleaching, etc.—It was explained that no orders fixing the maximum percentage of loss that would occur in the process of drying the cocoon, cleaning, winding and bleaching silk have been issued. It was, however, reported that the following are the normal percentages of loss:—

	Per cent.
1 Loss in drying cocoons	9
2 Loss in cleaning silk	1
3 Loss in winding silk	1
4 Loss in bleaching—Good silk	22 to 25
Sub-standard silk	28
Duppion silk	30 to 35

In order to ensure that there are no abnormal wastages in these processes, it is desirable that orders are issued fixing a maximum percentage for these losses.

IX. Cost accounts.—No process cost accounting is maintained to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling, (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc., (4) cost of silk made into organzine and tram for weaving purposes, etc. An efficient costing system will, if introduced, enable the administration to detect any leakages and idle time. For this purpose, the factory over heads may be distributed in proportion to the direct labour employed in each process. It is, therefore, suggested for consideration whether process costing cannot be introduced in the factory and if Government approve, orders may kindly be issued for their maintenance and the method to be adopted for the distribution of factory over heads.

X. Subject to the remarks mentioned above, I certify that I have obtained all the information and explanations that I have required and that the balance sheet signed by me as relative hitherto exhibits a true and correct view of the state of affairs of the Government Silk Filatures, Kollegal, as on 31st March 1949.

R. S. RAMAMURTHI,
Assistant Accounts Officer.

K. VAIDYANATHAN,
Examiner (Outside Audit).

GOVERNMENT SILK FILATURES, KOLLEGAL.

Statement of Affairs as on 1st October 1948.

		Debit.			Credit.		
		Rs.	A.	P.	Rs.	A.	P.
1	Capital	..	..	..	12,27,070	4	8
2	Leave and pensionary contribution	..	..	..	21,049	15	8
3	Interest	..	..	..	1,71,535	15	8
4	Audit fees	..	..	..	2,606	5	0
5	Outstanding liabilities	..	..	..	44,165	14	8
6	Sales tax payable up to 30th September 1948	..	..	..	1,542	7	8
7	Security deposits	..	..	..	1,300	0	0
8	Sundry creditors	..	..	..	294	0	0
9	Net profit	..	..	..	5,46,613	7	7
10	Land, buildings, plant and machinery, furniture, etc.	..	..	..	4,49,358	9	7
11	Finished products	..	..	..	14,76,393	6	10
12	Raw materials—						
	Good cocoons	..	..	..	16,806 5 0		
	Rat eaten	..	..	..	590 11 4		
					17,397	0	4
13	Fuel	..	..	..	2,950	1	6
14	General stores	..	..	..	30,764	15	6
15	Gold thread	..	..	..	67	10	0
16	Petrol	..	..	..	825	3	9
17	Postage stamps	..	..	..	156	9	6
18	Sundry debtors	..	..	..	22,794	16	9
19	Stock in process	..	..	..	4,188	6	9
20	Cash balance	..	..	..	4,358	0	4
21	Loss by theft of fabrics	..	..	..	321	0	6
					20,17,770	15	6
					20,17,770	15	6

13

FACTORY ACCOUNT FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949.

Dr.

	Rs.	A.	P.	Rs.	A.	P.
To Raw materials consumed—						
Cost of cocoons	2,89,694	9	7			
Add—Conveyance charges	5,556	14	4			
Other incidental charges ..	898	3	9			
				2,96,149	11	9
„ Cost of fuel consumed (firewood and coal)	2,621	6	6			
Add—Conveyance charges	2,778	7	2			
				5,399	13	8
„ Cost of power consumed	2,805	1	2			
				2,805	1	2
„ Cost of general stores consumed including freight, etc.				1,329	6	8
„ Wages—Labourers	55,668	14	5			
				55,668	14	5
Factory staff (including pay of electrician)	18,893	8	0			
Officers and office staff	1,519	12	8			
	5,296	4	0			
				25,649	8	8
„ Maintenance of boiler and machinery.	1,153	11	9	1,153	11	9
Do. buildings.	979	9	1	979	9	1
„ Depreciation of factory buildings, plant, etc.	15,698	0	0	15,698	0	0
„ Other miscellaneous expenditure (taxes, etc.)	1,641	12	4			
				1,641	12	4
				4,06,475	9	5

Cr.

	Rs.	A.	P.
By Sale of dead pupæ	436	15	0
„ Value of finished products transferred to trading account—			
(i) Silk lb. 11,790–0½	3,85,252	0	10
(ii) Duppion lb. 1,502–14	20,810	1	4
(iii) Silkwaste lb. 3,814–12	19,976	8	9
	4,06,475	9	5

Dr. TRADING ACCOUNT FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949. Cr.

	Rs. A.	Rs. A. P.	Rs. A. P.		Rs. A. P.	Rs. A. P.
To Opening Stock—				By Sale of—		
Silk lb. 44,366–7½	13,18,940 6			Silk lb. 40,190–8½	11,17,802 12 4	
Duppion lb. 4,178–5	47,783 2			Duppion lb. 1,255–0	15,391 11 3	
		13,66,723 10 0				11,33,194 8 7
Silk waste lb. 47,960–8		95,921 0 8		„ Silk issued to weaving section lb. 457–0½	..	15,582 3 11
Kilchas		13 7 0		„ Closing stock—		
Throwsters waste		54 0 0		Silk lb. 16,762–3	6,11,286 8 2	
			14,62,712 1 8	Duppion lb. 5,043–11½ ..	60,437 5 0	
„ Production—				Silk waste lb. 56,664–0 ..	1,13,228 0 0	
Silk lb. 11,790–0½	3,65,252 0 10			Kilchas	13 7 0	
Duppion lb. 1,502–14	20,810 1 4			Throwsters waste	54 0 0	
Silk waste lb. 3,814–12	19,976 8 8					6,75,120 15 2
			4,06,038 10 8	„ Value of stock to be written off ..	..	6,816 9 9
„ Packing materials	1,414 6 2			„ Gross loss	..	84,664 12 1
Deduct—Credit	— 418 8 0					
		995 14 2				
„ Carriage outwards	3,431 2 11	3,431 2 11				
„ Agents' commission	11,317 8 0	11,317 8 0				
„ Postal insurance charges	696 6 0					
Deduct—Credit	— 12 4 0					
		684 2 0				
			18,85,179 6 6			18,85,179 6 6

B. SILK FABRICS.

COMBINED MANUFACTURING AND TRADING ACCOUNT OF THE WEAVING SECTION FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949.

Dr. Cr.

	Rs. A. P.	Rs. A. P.		Rs. A. P.	Rs. A. P.
To Opening stock—			By sale of fabrics	..	15,879 0 6
Fabrics	13,586 5 10		„ Closing stock of fabrics manufactured	22,231 5 6	
Yarn (silk)	4,132 10 9		„ Gudiyatham	379 13 0	
Gold lace	5 11 11				22,611 3 6
		17,724 12 6	„ Silk in Weaving section and on looms	2,341 3 9	
„ Silk obtained from Silk section.	15,582 8 11	15,582 8 11	„ Gold thread in Weaving section and looms	10 0 0	
„ Gold and silver lace obtained from stores	742 0 0	742 0 0			2,351 3 9
„ Bleaching, weaving, etc., charges.	4,605 5 9	4,605 5 9			40,841 6 9
„ Stores consumed	63 6 3	63 6 3			
„ Gross profit	2,123 5 4	2,123 5 4			
		40,841 6 9			

SILK AND SILK FABRICS.

Combined Profit and Loss Account for the period from 1st October 1948 to 31st March 1949.

Dr. Cr.

	Rs.	A.	P.		Rs.	A.	P.
To Gross loss from Trading Account—Silk	54,664	12	1	By Profit from weaving section	2,123	5	4
,, Pay and allowances of officers and establishment ..	2,648	1	0	,, Rent	2,098	9	0
,, Maternity benefit	387	8	0	,, Sale of fuel chips	65	2	0
,, Medical aid	729	13	11	,, Other miscellaneous items	594	11	1
,, Postage	585	11	6	,, Net loss	87,707	8	4
,, Stationery	111	8	8				
,, Office contingencies	51	15	0				
,, Property tax (Other than Factory buildings)	475	7	0				
,, Books and periodicals	13	15	0				
,, Advertisements	299	2	8				
,, Exhibition expenses	694	1	0				
,, Repairs to cycles	20	8	9				
,, Depreciation other than factory	3,012	0	0				
,, Leave and pensionary contribution	3,107	8	4				
,, Direction charges	3,500	1	8				
,, Interest on capital	21,281	0	0				
,, Audit fee	910	0	0				
,, Electric consumption charges	311	10	10				
,, Maintenance of electrical installation	168	13	10				
,, Maintenance of creche	370	3	0				
,, Write-off value of cocoons	435	6	4				
Total ..	92,589	1	9	Total ..	92,589	1	9

Balance Sheet as on 31st March 1949.

Capital and liabilities.	Rs.	a.	p.	Rs.	a.	p.
Capital as per statement of affairs on 1st October 1948.	12,27,070	8	6			
Add—Leave and pensionary contribution up to 30th September 1948 (Capitalized).	21,040	15	3			
Interest up to 30th September 1948 (Capitalized).	1,71,535	15	6			
Audit Fee up to 30th September 1948 (Capitalized).	3,606	8	0			
				14,23,253	8	7
Add—Cheques drawn	4,67,312	0	4			
General Provident Fund deductions.	750	0	0			
Income-tax	28	8	0			
Debit adjustments by Accountant-General and Sericultural Expert.	21,307	15	8			
Leave and pensionary contribution from 1st October 1948 to 31st March 1949.	3,107	6	4			
Interest from 1st October 1948 to 31st March 1949.	21,231	0	0			
Audit fees from 1st October 1948 to 31st March 1949.	910	0	0			
Direction charges from 1st October 1948 to 31st March 1949.	2,500	1	0			
				5,17,146	15	4
				19,40,400	7	11

Property and assets.	Rs.	a.	p.	Rs.	a.	p.
Land, buildings, plant and machinery, etc. (statement attached).	4,49,358	8	7			
Add—Additions during the year	23,315	13	0			
	4,72,674	8	7			
Deduct—Depreciation and disposals.	15,860	0	0			
				4,56,814	8	7
Finished products—						
Silk lb. 16,768-8	5,11,288	8	3			
Duppion lb. 5,043-11½	50,437	0	0			
Silk waste lb. 56,664-0	1,13,328	0	0			
Kilchas	18	7	0			
Throwsters waste	54	0	0			
				6,75,120	15	3
				22,611	2	8
Fabrics—						
Loss of fabrics and silk to be written off.	321	0	8			
	6,616	0	9			
				6,937	10	8
Raw materials—						
Good cocoons	2,544	11	11			
Rat-eaten cocoons	282	8	0			
Gold and silver lace	250	0	0			
				3,077	3	11
Other stores—						
Fuel	6,908	9	0			
Coal	1,966	0	0			
Petrol	116	13	0			
Miscellaneous stores	34,007	11	9			
				42,999	1	9
Sundry debtors				27,983	5	9
Service postage				250	14	0
Security deposits as per contra				450	0	0

Deduct—					
Remittance into Treasuries ..		12,31,905	13	6	
Sales tax		(—) 19,081	8	4	
		12,12,824	5	0	
Credit adjustments		1,084	6	6	
Payments on behalf of other departments.		392	14	0	
General Provident Fund withdrawals.		144	0	0	
					12,14,445 9 6
Closing capital					7,25,954 14 5
Liabilities—					
Outstanding liabilities as per statement attached.					15,683 11 7
Sundry creditors					43,983 5 6
Sales tax payable					290 15 9
Security deposits					450 0 0
Net profit to end of 30th September 1948.		5,46,613	7	7	
Deduct—Net loss from 1st October 1948 to 31st March 1949.		87,707	6	4	
					4,58,906 1 3
					12,45,268 15 9

Stock in process—					
Silk		2,541	3	9	
Gold lace		10	0	0	
					2,551 3 9
Tax paid in advance for 1949-50 ..					253 0 0
Closing cash balance					9,440 0 -1
					12,45,268 15 9

ANNEXURE A.

STATEMENT SHOWING MONTHLY CONSUMPTION OF COCOONS, WAGES PAID, AND YIELD OF SILK AND SILK WASTE.

Month.			Cocoons consumed.	Wages paid.	Percentage wages to cocoons consumed.	Silk produced.	Duppion silk produced.	Silk waste produced.	Percentage of silk produced to cocoons used.	Percentage of duppion silk produced to double cocoons used.	Percentage of silk waste produced to cocoons used.
(1)			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
			LB. OZ.	RS.		LB. OZ.	LB. OZ.	LB. OZ.			
October 1948	..	..	44,072 0	11,784	26·21	2,457 15½	223 10½	1,705 0	5·58	8·64	3·66
			2,588 8								
November 1948	..	..	62,602 4	14,175	20·80	3,444 4½	421 2½	2,529 8	5·50	8·69	3·71
			5,538 0								
December 1948	..	..	53,220 8	13,107	22·67	2,888 11½	393 5½	2,091 0	5·43	8·69	3·62
			4,583 0								
January 1949	..	..	24,088 14	7,128	27·08	1,249 6½	222 4½	937 8	5·18	9·95	3·53
			2,224 0								
February 1949	..	..	28,049 8	7,126	23·82	1,428 8½	143 6½	1,205 0	5·09	7·68	4·03
			1,866 0								
March 1949	..	..	5,981 4	2,513	39·61	321 2	34 0	355 12	5·95	9·37	5·61
			363 0								
	Total	..	235,196 14	55,813*		11,790 0½	1,592 14	8,814 12			

Remark:—*Column* (2)—The first line against each month represents good and flimsy cocoons used and the second line represents double cocoons used.

* The difference of Rs. 144 between this figure and the figure in the Manufacturing Account is due to credit having been taken in the latter for the cost of labour supplied to other departments.

ANNEXURE B.

Calculation of interest charges for the period 1st October 1948 to 31st March 1949.

	Rs. A. P.	Rs. A. P.
Capital from statement of affairs		13,27,070 4 5
Add—		
Leave salary and pensionary contribution up to 30th September 1948.		21,040 15 8
Interest		1,71,535 13 6
Audit fees		3,606 5 0
		14,23,253 8 7
Add Cheques drawn	4,67,312 0 4	
General Provident Fund	750 0 0	
Income-tax	28 8 0	
Debit adjustments	21,007 15 8	
Amount drawn by Sericultural section	300 0 0	
Leave salary and pensionary contribution	3,107 6 4	
Audit fees	910 0 0	
Opening balance, cash	4,538 0 4	
Direction charges	2,500 1 0	
		5,00,453 15 8
		19,23,707 8 3
Deduct—		
Remittance	12,21,905 13 4	
Sales-tax paid	10,081 8 4	
	12,12,824 5 0	
Credit adjustments	1,084 6 6	
Payments on behalf of other departments ..	392 14 0	
General Provident Fund withdrawals	144 0 0	
Closing cash balance	9,440 0 1	
		12,23,885 9 7
Closing capital without interest		6,99,821 14 8
Interest on Rs. 14,23,253 at 4 per cent for half year.		28,465 0 0
Interest on mean capital $\frac{6,99,822 \text{ minus } 14,23,253}{2}$		(—) 7,234 0 0
or on Rs. —3,61,761 at 4 per cent for half-year.		
		21,231 0 0

ANNEXURE (

STATEMENT OF LAND, BUILDINGS, PLANT AND MACHINERY, ETC.

Particulars.	Value of asset as on 1st October 1948.	Additions.	Credits.	Net total.	Depreciation for the period from 1st October 1948 to 31st March 1949.	Depreciated value of asset as on 31st March 1949.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs. A. P.	Rs. A. P.	Rs.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Land	9,171 1 7		..	9,171 1 7	..	9,171 1 7
Main building	42,683 14 3		..	42,683 14 3	1,601 0 0	41,082 14 3
Cocoon storage	33,145 13 6	2,673 2 9	..	34,823 15 6	1,256 0 0	33,567 15 6
Silk examining and packing room	5,158 1 6	..	..	5,158 1 6	194 0 0	4,964 1 6
Manager's quarters	5,937 6 9	..	..	5,937 6 9	74 0 0	5,863 6 9
Masonry drains	2,406 2 9	..	..	2,406 2 9	90 0 0	2,316 2 9
General stores and workshops	1,657 12 7	..	..	1,657 12 7	62 0 0	1,595 12 7
Boiler room	2,018 4 0	..	..	2,018 4 0	75 0 0	1,943 4 0
Office building	31,096 9 3	..	..	31,096 9 3	1,166 0 0	29,930 9 3
Chowkidars' quarters	1,313 6 2	..	..	1,313 6 2	49 0 0	1,264 6 2
Latrines and urinals for work people	2,083 15 1	..	..	2,083 15 1	78 0 0	2,005 15 1
Roads and culverts	1,807 12 6	..	..	1,807 12 6	68 0 0	1,739 12 6
Compound wall and gate	1,318 15 8	..	..	1,318 15 8	49 0 0	1,269 15 8
Double garage	798 1 1	..	..	798 1 1	30 0 0	768 1 1
Quarters for Technical Expert	6,410 3 6	..	..	6,410 3 6	80 0 0	6,330 3 6
Lunch shed	3,801 13 5	..	..	3,801 13 5	142 0 0	3,659 13 5
Service reservoir	1,457 4 4	..	..	1,457 4 4	55 0 0	1,402 4 4
Servants' quarters	730 3 2	..	..	730 3 2	27 0 0	703 3 2
Latrines for staff	628 7 0	..	..	628 7 0	23 0 0	605 7 0
Sennagwathi Bai Colony	28,122 11 10	..	..	28,122 11 10	352 0 0	27,770 11 10
Reeling basins and machinery	1,11,749 5 6	779 11	..	1,12,529 0 6	6,728 0 0	1,05,801 0 6
Tools and equipment	32,592 4 4	..	..	32,592 4 4	1,956 0 0	30,636 4 4
Boilers	30,987 4 7	..	..	30,987 4 7	1,549 0 0	29,438 4 7
Station wagon	553 9 1	..	..	553 9 1	68 0 0	485 9 1
Steam and water pipe connexions	24,962 10 10	..	..	24,962 10 10	1,498 0 0	23,464 10 10
Settling chamber	290 15 0	..	..	290 15 0	11 0 0	279 15 0
Furniture in Technical Expert's quarters	427 7 5	..	..	427 7 5	13 0 0	414 7 5
Water-supply—Sinking and bore-well	4,339 13 7	..	..	4,339 13 7	130 0 0	4,209 13 7
Furniture in Manager's quarters	445 4 7	..	..	445 4 7	13 0 0	432 4 7
Ford trucks	2,607 1 4	..	..	2,607 1 4	326 0 0	2,281 1 4
Godowns	9,091 7 8	..	..	9,091 7 8	450 0 0	8,641 7 8
Bullock	291 15 3	..	150	141 15 3	..	141 15 3
Furniture at Kollegal Silk Filatures	3,054 10 3	..	..	3,054 10 3	92 0 0	2,962 10 3
Sundry	381 14 3	..	..	381 14 3	22 0 0	359 14 3

Statement of Land, Buildings, Plant and Machinery, etc.

Particulars. (1)	Value of asset as on 1st October 1948. (2)	Additions. (3)	Credits. (4)	Net total. (5)	Depreciation for the period from 1st October 1948 to 31st March 1949. (6)	Depreciated value of asset as on 31st March 1949. (7)
	Rs. A. P.	Rs. A. P.	Rs.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Radio sets	105 8 8	..	..	105 8 8	6 0 0	99 8 8
Seriplane and board	1,126 2 6	..	..	1,126 2 6	70 0 0	1,056 2 6
Denier scale	29 3 9	..	..	29 3 9	2 0 0	27 3 9
Serimeter	156 1 3	..	..	156 1 3	9 0 0	147 1 3
Denier testing machines	172 14 9	..	..	172 14 9	10 0 0	162 14 9
Silk throwing plant	2,121 8 7	..	..	2,121 8 7	74 0 0	2,047 8 7
Trailer pump	3,052 4 3	..	..	3,052 4 3	153 0 0	2,899 4 3
Electrification	26,705 10 0	..	..	26,705 10 0	..	26,705 10 0
Establishment charges	2,812 9 0	..	..	2,812 9 0	..	2,812 9 0
Handloom, first set	478 5 10	..	..	478 5 10	14 0 0	464 5 10
Handloom, second set	874 7 6	..	..	874 7 6	26 0 0	848 7 6
Scientific instrument	304 15 9	..	..	304 15 9	18 0 0	286 15 9
Books and publication	88 0 3	..	..	88 0 3	..	88 0 3
Silk waste godown	8,809 9 0	19,858 0 0	..	28,667 0 0	..	28,667 0 0
Total ..	4,49,858 9 7	23,315 13 0	150	4,72,524 6 7	18,710 0 0	4,53,814 6 7

ANNEXURE I

SUNDRY DEBTORS' ACCOUNT AS ON 31ST MARCH 1949.

		Rs.	A.	P.	Ledger folio.
1	Secretary, Cloth Association	9	8	0	28
2	Sri A. T. Janakiraman	178	14	9	107
3	Principal, Agricultural College, Bapatla	12	1	0	15
4	Mr. Peychand	658	7	0	15
5	Mr. Jesudass	19	8	0	16
6	Sri Meenakshi Ayyar	0	4	6	16
7	Staff	0	15	0	16
8	Mr. Imam Khan	15	10	0	17
9	Market Officer	70	0	0	17
10	Assistant Sericultural Expert (2)	13	9	0	13
11	Sericultural Expert	1,090	2	6	3
12	Government Silk Filature labourers	48	6	9	59
13	Sri V. Govindan	78	4	0	11
14	Sri V. A. Kannan	44	9	6	19
15	Secretary, Silk Filature Employees' Co-operative Stores.	207	8	0	60
16	Messrs. G. V. Parasiva Murthy & Co.	24,864	6	0	141
17	Sri Vivekananda Murthy	152	8	0	..
18	The Deputy Director, Vocational Training Centre.	133	7	0	56
19	Government Silk Filature staff	40	8	0	61
20	Sri T. A. Atmarama Rao	9	4	6	110
21	Sri N. K. Gururajan	23	1	0	118
22	Mrs. Animuthu	2	9	0	119
23	Mr. Mahadeva Ayyar	4	8	0	110
24	Sri Govindan Nair	8	15	0	30
25	Sri Chick Linga	38	0	0	170
26	Sri Mada Setty	18	12	0	109
27	Sri Nirmal Chand	9	11	0	125
28	Sri Mallaraj Urs	76	0	0	125
29	Sri Narayanaswami	0	9	0	125
30	Sri Gnanaprakash	3	8	0	..
31	Sri M. Nagappa	50	0	0	90
		27,983	5	9	

SUNDRY CREDITORS.

1	Donti Venkatesiah Setty Company	42,023	4	0	133
2	K. R. T. Narasimha Ayyar	1,503	13	6	128
3	South Indian Silks, Gudiyattam	177	8	0	148
4	Sunderraj Textiles	51	8	0	20
5	Vasantlal Balubhai Reshamdalal	124	15	0	22
6	Kabadi Shankarsa	84	0	0	22
7	Coimbatore Spinning and Weaving Company	12	9	0	23
8	Varadarajulu Ayyar	5	12	0	24
		43,983	5	6	

ANNEXURE E.

Outstanding Liabilities as on 31st March 1949.

	Rs.	A.	P.
Cocoons	4,293	15	5
Stores	947	12	8
Electric current charges	703	9	6
Pay of officers	276	0	0
Pay of establishment	3,787	10	0
Fuel and splitting charges	87	6	0
Atte winding charges and stitching charges	574	1	0
Doctors' fees	6	0	0
Insurance charges	43	10	0
Miscellaneous including disection charges for 1948-49 (first half).	4,322	6	0
	15,042	6	7
Wages	641	5	0
	15,683	11	7

ANNEXURE F.

Statement showing the rates of silk (selling rate) adopted for working out the closing value as on 31st March 1949.

Silk.	Denier.	Ordinary per lb. Rs. A. P.	Re-reeled per lb. Rs. A. P.	
....	24/28	28 8 0	30 8 0	Sanctioned in Director's Memorandum No. 6674-D-1/48, dated 22nd December 1948.
....	20/22	29 8 0	31 8 0	
....	13/15	30 4 0	32 4 0	
....	9/11	31 4 0	33 4 0	
Sub-standard silk		15 0 0	Rates adopted by Agricultural Expert.	
Duppion silk		10 0 0		
Silk waste		2 0 0		

II

Letter from Sri M. T. Raju, Bar-at-Law, I.C.S., Director of Industries and Commerce, Madras, to the Secretary to Government, Development Department, Madras, dated 24th July 1950, No. 2123-D-1/49.

[Audit Report on the accounts of the Government Silk Filatures, Kollegal, for the period from 1st October 1948 to 31st March 1949. *Reference.*—Letter No. O.A. 33-F-50/49-50/725, dated 6th April 1950, from the Accountant-General addressed to Government.]

The following remarks are offered on the various objections detailed in the audit report:—

Paragraph I.—The suggestions made in the audit notes sent to me separately for the maintenance of certain additional accounts are being examined in consultation with the Accountant-General and action will be taken early.

Paragraph II—*Manufacturing account.*—The apportionment of cost of manufacture of raw silk, Duppion and silk waste in the ratio of 27·34 : 12·22 : 2·00 in the manufacturing account was made in line with the suggestion previously made by the Chief Auditor, State Trading Schemes. I have no objection to follow the procedure now suggested by the Accountant-General, i.e., to value the bye-products (Duppion silk and silk waste) at this average selling rates and to treat the balance of expenditure as cost of production of raw silk. If Government agree, the procedure will be adopted from the year 1949-50 onwards.

Paragraph III—Trading account.—As the sound and correct method with regard to the basis of valuation of stock-in-trade and which has been generally accepted by all, is to value the stocks at all-in-cost of production or simply designated as "cost" or market prices, whichever is lower, on the date of stocktaking, I suggest that this method may be ordered to be adopted as Audit can have no objection to this procedure being adopted. A sound policy is always to estimate the cost or market value on a most conservative basis as otherwise we may be reckoning on unrealized profits.

Paragraph IV—Silk issued to weaving section.—As the weaving section is worked on an experimental basis only and as our main scheme is production of raw silk, the procedure adopted at present in regard to transfer of raw silk to the weaving section on the selling or market rates on the date of issue may be allowed to be continued till the weaving section is established on a permanent footing. In respect of the twisting charges, viz., Rs. 9 and Rs. 7-4-0 per lb. the position has been since examined after the installation of the twisting plant at the Government Silk Filature and as it was found that the actual twisting charges work out to only Rs. 7 and Rs. 2-5-0 for organzine and tram silk respectively. I have permitted the Sericultural Expert to adopt the latter rates.

Paragraph V—Financial review.—The year 1948-49 was perhaps the worst period for the filature industry in India when it suffered most due to terrible slump in the silk market caused by large scale imports of foreign silk at ridiculously low prices. As pointed out by audit, about 25,000 lb. of silk had to be sold during the year at prices lower than the cost of production. In spite of this, the stocks held at the filature were still heavy and as there was no indication as to the future import policy to be followed by the Government of India, we had necessarily to take a conservative policy in the purchase of cocoons. Looking back, at the state of affairs then existing, I feel that the purchase policy adopted was fully justified as it resulted in limiting the losses to the minimum. It may be mentioned in this connexion for the information of Government that the contemporary filatures in Mysore State are reported to have suffered much severe losses during the period.

In regard to the Accountant General's suggestion for the disposal of the idle "Kollegal Silk Filature" plant and machinery, I have only to state that the present unsatisfactory state of affairs may be only a temporary phase and that when the position improves it may be possible to run this filature also or to utilize it for other purposes, viz., for locating the weaving factory, etc. It is very undesirable as we have so often maintained in arguing the case filed by the old Kollegal Silk Filatures, Limited, to sell the Kollegal silk filature to a private party and allow it to be worked as the resulting rivalry will only prove ruinous. The buildings are at present being utilized to house some of the offices of the subordinates of the Sericultural Expert, Kollegal, for the storage of grains by the Kollegal Co-operative Stores, etc., and some revenue is being realized. The position will, however, be watched for two years and action taken if it becomes necessary to dispose off the Kollegal silk filature.

Paragraph VI—Balance sheet.—The Sericultural Expert has been asked to open and maintain a register of fixed assets as suggested by the Accountant-General as from 1st April 1950. The rates of depreciation charged for the buildings, plant and machinery in the filature are based on

the rates prescribed in the Income-tax Manual, 1946 edition and agreed to by the Chief Auditor, State Trading Schemes, who audited the accounts of the filatures so far. The Accountant-General Madras, has raised a similar objection in the audit report relating to the Kerala Soap Institute, Kozhikode. I shall examine the position with reference to the procedure obtaining in other commercial concerns under this department and in consultation with the Accountant-General and revise the rates and the method of charging depreciation, if found, necessary.

Paragraph VII—Contract for sale of Government silk by agency system.—The agents are really entitled to the commission on the sales of silk done directly by the department also as per terms of the draft agreement (this is in line with the practice followed in the Kollegal Silk Institute and the Government Oil Factory, Kozhikode) and the Sericultural Expert allowed them commission on such sales till he was told not to do so following the decision not to get the agreements executed. The finalization of the agreement in consultation with the Government Solicitor took a long time and as most of the silk had been sold by them, it was felt no useful purposes would be served in getting the agreements executed. As the commission paid to the agents by the Sericultural Expert was based on the assumption that the agreement would be duly executed, I request that the payments made may kindly be regularized by Government by according sanction to the expenditure of Rs. 1,368-5-0.

Paragraph VIII—Losses in the process of cleaning, winding, bleaching, etc.—The Sericultural Expert has already been conducting experiments since sometime now to assess the percentage of loss in the various processes pointed out by audit and I have already approved the following percentages:—

	Maximum loss. PER CENT.
(1) Loss in drying of cocoon	9·2
(2) Loss in cleaning silk	1
(3) Loss in winding silk	1

In regard to the maximum loss that may be allowed in bleaching silk, orders will issue very early.

Paragraph IX—Cost accounts.—The Sericultural Expert, Government Silk Filatures, Kollegal, has explained that if the costing system as described by the Accountant-General to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling, (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc. should be introduced, it is necessary that a separate cost accountant has to be appointed for the purpose. He further reports that it is not necessary now that this system should be introduced as we are concerned with the problem of devising ways and means for effecting a continuous working of the filature without any interruption and that when this has been satisfactorily solved, the sugges ion of the auditors for introducing a cost system of accounts in the filature may be considered. I agree with the views of the Sericultural Expert, Government Silk Filatures, Kollegal, and suggest that the question may be deferred.

III

Memorandum No. 31371, MI/50-2, Development, dated the 5th August 1950.

[Industries—Sericulture—Government Silk Filatures, Kollegal—Audit Report of the Filatures for the period from 1st October 1948 to 31stMarch 1949. *Reference.* From the Director of Industries and Commerce, letter, dated the 24th July 1950, No. 2123-DI/49.]

The attention of the Director is invited to the paragraph III of the audit report and he is requested to offer his remarks on the observations of the Accountant-General regarding the value of stock of silk found deficit during stock verification and value of fabrics lost by theft.

2. The Director is also requested to state the basis on which Rs. 7 and Rs. 2-5-0 were fixed as charges for twisting and for organzine and tram silk, respectively.

R. Koteswara Rao,
Deputy Secretary to Government.

To the Director of Industries and Commerce, Madras.

IV

Memorandum No. 31371, MI/50-5, Development, dated 23rd August 1950.

[Accounts—Audit Report on the accounts of the Government Silk Filatures, Kollegal, for the period from 1st October 1948 to 31st March 1949—Remarks. Reference—From the Director of Industries and Commerce, dated 24th July 1950, letter No. 2123-DI/49.]

Paragraph I—Regarding maintenance of accounts.—The Director is requested to take action early on the suggestions made by the Accountant-General in the audit notes sent to him for the maintenance of certain additional accounts and to submit a report to the Government.

Paragraph IV—Regarding transfer of silk to weaving section.—In the case of closing stock, the suggestion of the Accountant-General is to value the stock on the basis of the cost of production instead of at the actual selling rate ruling on the last day of the trading period. In regard to silk issued from stock to the weaving section also, the Accountant General suggests that the rate should be fixed with reference to the actual cost of production of silk. The Director suggests that the present practice of valuing the silk issued to the weaving section at the selling or market rates ruling on the date of issue till the weaving section is made permanent. The Director is requested to state clearly what difficulties will arise, if the Accountant General's suggestion is given effect to while the weaving section is yet temporary.

Paragraph V—Financial review.—While discussing the reasons for the loss incurred by the filatures during the half year under report, the Accountant-General has raised the question of desirability of revising the present policy in regard to purchase of cocoons for stocking to enable the continued working of the filatures during the lean months also. The Director is requested to offer his specific remarks on the suggestion.

Paragraph VI—Assets—(v)—Land and buildings.—The Director is requested to intimate to the Government the action taken by him in regard to the suggestion that a register should be opened and the value of

the several assets for which different rates of depreciation have to be allowed entered therein and that the rates of depreciation to be charged to several assets and the method of charging the depreciation may be determined now.

Paragraph VII—Contract for sale of Government silk by agency system.—The Director is requested to state whether the draft agreements were prepared in consultation with the Government Solicitor in the first instance and if not, why it was not done so.

Paragraph VIII—Losses in the process of cleaning, etc.—The Director is requested to issue early orders in regard to the percentage of loss in bleaching silk and intimate the fact to the Government.

R. Koteswara Rao,
Deputy Secretary to Government.

To the Director of Industries and Commerce, Madras.

V

Letter from Sri M. T. Raju, Bar-at-law, I C.S., Director of Industries and Commerce, to the Secretary to Government, Development Department, dated Fort St. George, the 17th August 1950, No. 2123-D1/49.

[Industries—Sericulture—Government Silk Filature, Kollegal—Audit Report for the period from 1st October 1948 to 31st March 1949. *Reference*—Government Memorandum No. 31371, M1/50-2, Development, dated 5th August 1950.]

I invite a reference to this office letter No. 4955-D1/48, dated 1st September 1949, wherein I had already reported to Government that out of Rs. 321-0-6, which is the total value of fabrics lost, 50 per cent had been recovered from the sentries who were on duty and that the balance of the 50 per cent was written off by me.

As regards the deficit in the stock of silk to the value of Rs. 6,617 found at the time of the stock verification, I have to state that the Sericulture Expert has been asked to explain the reasons for the shortage and his reply is awaited. I have reminded him to expedite submission of his report and I shall submit my remarks on receipt of his report.

With reference to paragraph 2 of the Government Memorandum cited I have furnished below a statement showing how the cost of production of organzine and tram silk has been worked out at Rs. 7-0-0 and Rs. 2-5-0, respectively per lb :—

Particulars of expenses for the production of 192 lb of organzine and 552 lb. of tram on the basis of 8 lb. per day of working days, 2 shifts.

	Organzine.			Tram.		
	Rs.	A.	P.	Rs.	A.	P.
(*a*) Pay and dearness allowance of establishment.	220	0	0	110	0	0
(*b*) Wages	180	0	0	268	13	0
(*c*) Electric current charges	192	2	6	96	1	3
(*d*) Steaming charges (Ls)	20	0	0	20	0	0
(*e*) Stores consumed	16	7	0	16	7	0

	Organize.	Tram.
	RS. A. P.	RS. A. P.
(f) Interest on capital	94 9 9	94 9 9
(g) Depreciation of machinery	455 10 8	227 13 4
(h) Depreciation on buildings	33 6 0	33 6 0
(i) Allowance towards loss of silk in twisting.	108 0 0	414 0 0
	1,320 3 11	1,281 2 4
Average twisting charges	1,320 3 11	1,281 2 4
	192	552
	6 14 0	= 2 5 2
	or	or
	7 0 0	2 5 0

VI

Memorandum No. 31371, MI/50-6, Development, dated 6th September 1950.

[Industries—Sericulture—Government Silk Filatures Kollegal—Audit Report for the period from 1st October 1948 to 31st March 1949 *Reference*—From the Director of Industries and Commerce, No. 2123/DI/49, dated 17th August 1950.]

The Director is requested to report here the charges fixed by him to organzine and tram silk compare with those levied by private firms.

P. KOTESWARA RAO
Deputy Secretary to Government.

To the Director of Industries and Commerce Madras.

VII

Letter from Sri M. T. RAJU, BAR-AT-LAW, I.C.S., Director of Industries and Commerce, to the Secretary to Government, Development Department, dated the Fort St. George, 13th October 1950, No. 2123 DI/49.

[Accounts—Audit Report on the accounts of the Government Silk Filatures, Kollegal, for the period from 1st October 1948 to 31st March 1949. *Reference.*—Government Memorandum No. 31371 MI/50-5, (Development, dated 23rd August 1950.]

Paragraph 1—*Regarding maintenance of accounts.*—I have already asked the Sericultural Expert to take urgent action to maintain the additional accounts as suggested in the audit note, viz., paragraph XXVIII.

Paragraph IV—Regarding transfer of silk to weaving section.—I have called for the remarks of the Sericultural Expert in the matter and shall send my reply on hearing from him.

Paragraph V—Financial review.—The suggestion of the Accountant-General that sufficient stock of cocoons should be built up during seasons to tide over the lean months is sound in principle, but its practicability is limited on account of the fluctuating conditions of the silk market, accentuated particularly due to the absence of a steady policy in regard to imports

of raw silk. It may be however mentioned in this connexion that with a view to build up adequate stocks, the Sericultural Expert was authorized to purchase unrestricted quantities provided the price did not exceed a certain prescribed limit. I may add that no efforts are being spared to ensure continuous working of the filature by building up sufficient reserves of cocoons.

Paragraph VI—Assets—Lands and buildings.—I have informed the Accountant-General that the rates of depreciation now being charged for the various assets at the Government Silk Filatures Kollegal, are satisfactory and there is no need for the revision of the existing rates. As regards the method of calculating depreciation, I have suggested that the existing "diminishing balance" method may be replaced by the "straight line" method so as to be in line with the system being adopted in the other commercial concerns under the control of this department subject to the approval of Accountant General. I shall take further action in the matter. As regards the Accountant-General's suggestion to open a register showing the several assets, the Sericultural Expert has been instructed to take necessary action.

Paragraph VII—Contract for the sale of Government silk by agency.—The draft agency agreement was prepared only in consultation with the Government Solicitor, Madras.

Paragraph VIII—Losses in the process of cleaning, etc.—I have fixed the following limits up to which loss can be allowed in bleaching silk:—

	PER CENT.
Good silk	22
Sub-standard silk	28
Duppion Silk	30

VIII

Letter from M. T. RAJU, ESQ., BAR-AT-LAW, I.C.S., Director of Industries and Commerce, to the Secretary to Government, Development Department, dated the Fort St. George, 23rd November 1950, No. 2123D. 1/49.

[Industries—Sericulture—Government Silk Filature—Kollegal—Audit Report for the period from 1st October 1949 to 31st March 1948. *Reference* Government Memorandum No. 31371MI/50-6, Development, dated 6th September 1950.]

The charges fixed by me for organzine and tram silk are higher than those levied by private parties at present which are only about Rs. 5 and Rs. 2 a lb. respectively. The private parties are reported to vary the rates according to the conditions obtaining in the market.

IX

Letter from M. T. RAJU, ESQ., BAR-AT-LAW, I.C.S., Director of Industries and Commerce, to the Secretary to Government, Development Department, dated Madras 23rd of November 1950, No. 2123 DI/49.

[Industries—Sericulture—Government Silk Filatures—Kollegal—Audit of Accounts from 1st October 1948 to 31st March 1949.]

I invite reference to paragraph VIII of the audit on the accounts of the Government Silk Filatures, Kollegal, for the period 1st October 1948 to 31st March 1949 wherein the Accountant-General has pointed out that maximum

percentage for the losses in drying cocoons, cleaning, winding and bleaching processes of silk should be fixed. I have reported to Government in this office letter No. 2123 D–149, dated 24th July 1950, the percentages fixed already in the case of drying cocoons, Cleaning and winding silk and in this office letter No. 2123 DI/4 dated 13th October 1950, the maximum percentages fixed in the case of bleaching silk. The Accountant-General, Madras, has now stated that approval of Government for the percentages of losses fixed in bleaching silk should be obtained. As the limits fixed, viz., good silk 22 per cent; sub-standard silk 28 per cent; and duppion silk 30 per cent by me were based on the experience gained in the weaving section from 1947–48 and 1949–50 and as they are considered reasonable I request that Government may be pleased to approve the same at an early date.

Order—No. 5334, Development, dated 29th December 1950.

Recorded.

2. *Paragraph I.*—The Director of Industries and Commerce is requested to report in due course the date on which the maintenance of additional accounts suggested by the Accountant-General has been commenced.

3. *Paragraph II—Manufacturing account.*—The Director of Industries and Commerce is requested to follow the procedure suggested by the Accountant-General, i.e., to value the bye-products, duppion silk and silk waste at their average selling rates and to treat the balance of expenditure as cost of production of raw silk.

4. *Paragraph III—Trading account.*—The Government consider that the procedure to value the closing stock at the cost of production inclusive of overhead charges which is followed in other commercial concerns may be followed in Government Silk Filatures also.

The report from the Director of Industries and Commerce in regard to the deficit in the stock of silk to the value of Rs. 6,617 found at the time of the stock verification is awaited.

5. *Paragraph IV—Combined manufacturing and trading account of weaving section.*—The Government direct that the charges for organzine and tram silk be fixed at Rs. 6 (rupees six only) and Rs. 2–4–0 (rupees two and annas four only) a lb. respectively.

The report from the Director of Industries and Commerce in regard to the difficulties that are likely to arise in giving effect to the Accountant-General's suggestion that the rate for silk issued to the weaving section should be fixed with reference to the actual cost of production of silk is awaited.

6. *Paragraph V—Financial review.*—The Government consider that the question of disposal of idle plant and machinery, etc., of the Kollegal Silk Filatures should be taken up after watching the position for not more than one year. The Director of Industries and Commerce is, therefore, requested to submit by 1st January 1952 a report reviewing the position.

7. *Paragraph VI—Balance sheet.*—The Director of Industries and Commerce is requested to report in due course the final action taken in regard to the method of calculating depreciation in consultation with the Accountant-General. The Director of Industries and Commerce is also requested to report in due course the date on which a register showing the several assets of the filatures has been opened.

8. *Paragraph VII—Contract for sale of Government silk by agency system.*—Sanction is accorded to the writing off of an amount of Rs. 1,368-5-0 (rupees one thousand three hundred and sixty-eight and annas five only) being the commission irregularly paid to the agents on the sale of silk effected direct by the department.

9. *Paragraph VIII—Losses in process of cleaning, winding, bleaching, etc.*—The Government approve the following maximum percentage of loss in the processes of drying cocoon and cleaning, etc., of raw silk fixed by the Director of Industries and Commerce :—

	Maximum loss. PER CENT.
(1) Loss in drying of cocoon	9·2
(2) Loss in cleaning silk	1·0
(3) Loss in winding silk	1·0
(4) Loss in bleaching silk—	
(*a*) Good silk	22·0
(*b*) Sub-standard silk	28·0
(*c*) Duppion silk	30·0

10. *Paragraph IX.—Cost accounts*—In the circumstances explained by the Director of Industries and Commerce the Government direct that the suggestion of the Accountant-General to introduce process costing in the filatures be differed till the problem of working the filatures continuously is solved satisfactorily.

(By order of His Excellency the Governor.)

R. KOTESWARA RAO,
Deputy Secretary to Government.

To the Director of Industries and Commerce.
" Accountant-General (through the Finance Department).

Sectional notes

REMARKS OF THE A.G.

REPORT ON THE AUDIT OF THE ACCOUNTS OF THE GOVERNMENT SILK FILATURES, KOLLEGAL, FOR THE PERIOD FROM 1ST OCTOBER 1948 TO 31ST MARCH 1949.

The Government Silk Filatures, Kollegal, which was a State Trading Scheme till 30th September 1948 was treated as a Government commercial concern with effect from 1st October 1948 with reference to the orders contained in Government Memorandum No. 41154/48-2, Development, dated 12th May 1948. This is the first audit after commercialization.

In addition to a general scrutiny of the documents for the period from 1st October 1948 to 31st March 1949, a detailed audit of the accounts for February 1949 was conducted. The audit for the previous half-year was conducted by the Chief Auditor, State Trading Schemes.

The following documents, duly audited with reference to the initial accounts maintained at the Filatures are appended to the report :—

(1) Statement of affairs as on 1st October 1948 based on the balance sheet audited by the Chief Auditor, State Trading Schemes.

(2) Manufacturing account of silk for the period 1st October 1948 to 31st March 1949.

(3) Trading account of silk for the period 1st October 1948 to 31st March 1949.

(4) Combined manufacturing and trading account of weaving section for the period 1st October 1948 to 31st March 1949.

(5) Combined profit and loss account (silk and silk fabrics) for the period 1st October 1948 to 31st March 1949.

(6) Balance sheet as on 31st March 1949.

(7) Statement showing monthly consumption of cocoons, wages paid and yield of silk (Annexure A).

(8) Interest calculation sheet (Annexure B).

(9) Statement of land, buildings, plant and machinery, etc. (Annexure

(10) Statement of sundry debtors and sundry creditors (Annexure D).

(11) Statement of outstanding liabilities (Annexure E).

(12) Selling rate of silk on 31st March 1949 (Annexure F).

The form in which the initial accounts are mentioned is generally the same as in the other commercial institutions under the Department of Industries and Commerce, adapted with suitable modification with reference to the silk industry. These accounts satisfy, in the main, audit requirements. Suggestions for maintenance of certain additional accounts to facilitate an easy compilation and check of the final accounts in commercial form have been made in the audit notes sent to the Director of Industries and Commerce separately.

REMARKS OF THE D.I & C.

The following remarks are offered on the various objections detailed in the audit report.

Para 1. The suggestions made in the audit notes sent to me separately for the maintenance of certain additional accounts are being examined in consultation with the Accountant General and action will be taken earl

OFFICE NOTE.

The Director may perhaps be asked to take action early with reference to 'A' above and submit a report to the Government.

Fin (Accts)

The proposal of Dept at 'B' on p1 above may be agreed to

Rs. 10.8.50

DRB 11/8/50

Further Remarks of the D. I & C.

I have already asked the Sericultural Expert to take urgent action to maintain the additional accounts as suggested in the audit note viz. para XXVIII.

Dev depts ans.

The DIC may be asked to report in one ~~week~~ from the date on which a beginning is made to maintain addl. accounts

DRB 31/10/50

1.11.50

Fin (Accts)

Finance may agree to the proposal of Dept.

B 5.11.50

Thos 4/11/50

4.11.50

REMARKS OF THE ACCOUNTANT GENERAL.

II. *Manufacturing account.*—The details of the manufacturing cost worked out from the accounts now being maintained, exclusive of indirect charges are as below :—

	Output of silk.	Cocoon consumed.	Cost of cocoons.	Wages.	Other charges less credits.	Total.	Average cost per lb.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8).
	LB.	LB.	RS.	RS.	RS.	RS.	RS.
1948-49—							
First half-year ..	14,091	214,614	2,36,749	71,181	62,409	3,70,789	26·3
Second half-year.	13,293	235,197	2,96,150	55,669	54,220	4,06,039	33·5
For the year 1948-49	27,384	4.49,811	5,32,399	1,26,800	1,17,629	7,76,828	28·4

The cost during the year under report was Rs. 28 per lb. as against Rs. 27 and Rs. 41 during the years 1947-48 and 1946-47, respectively. A marked increase in the cost of cocoons consumed and a reduced yield during the second half-year due to the poor quality of cocoons account mainly for the increased cost of production. It was explained that, during the second half of the year, the price of cocoons went up due to the increase in the market rate of silk, though the quality which was then available was not of the same standard as that obtained during the first half. Ex-gratia payment of wages to labour in respect of the period of closure from 19th July to 30th September 1948 and the necessary standing maintenance charges incurred during the period from 8th to 31st March 1949 in respect of the further temporary closure of the Filature from 8th March to 16th August 1949 also accounted, to a certain extent, for the increased cost of production. The pay and allowances of the officers and the staff have been allocated between factory ove heads and general overheads in the proportion of 2 : 1, with reference to Government Memorandum No. 52347 D-1/47-4, Development, dated 29th July 1947. The charges relating to motor lorry have been allocated in the proportion of 2 : 1 : 1 to cocoons, fuel and carriage outwards, respectively. The cost of production of silk, duppion and silk waste during the second half-year has been allocated in the ratio of 27·34 : 12·22 : 2·00, based on the average selling rates of the various commodities. This apportionment does not appear to be a correct one, in view of the fact that duppion silk and silk waste have to be treated as byproducts resulting from the main industry. The correct procedure would appear to be to value the byproducts named above at a rate equal to their saleable value in the market, which should be expected to include any incidental expenses connected with their marketing, proportionate labour engaged in waste cleaning, etc. and deduct their value from the total cost of production according to manufacturing account and arrive at the cost of production of the main product, viz., silk

A statement showing the monthly consumption of cocoons, wages paid and the yield of silk, duppion and silk-waste is attached at Annexure A. It will be seen therefrom that the percentage of wages to cocoons consumed was as high as 39 in March 1949. This high percen age was a result of the closure of the Filature from 8th March 1949. The lowest percentage obtained was in November 1948, viz., 20·8 per cent. This was apparently due to the availability of cocoons on a large scale and consequent increased production.

The yield of silk from October 1948 to February 1949 was a little below the normal standard of 5·6 per cent expected from cocoons of standard renditta. This was stated to be a result of purchase of cocoons below the standard renditta in order to keep the filatures running. It was also explained that the purchase of cocoons is usually made only with reference to a visual test of the probable renditta and that a margin has to be allowed for variations in renditta arrived at in actual production.

REMARKS OF THE D.I & C.

Para II. Manufacturing Account. The apportionment of cost of manufacture of raw silk, Duppion and silk waste in the ratio of 27.34:12.22:2.00 in the manufacturing account was made in line with the suggestion previously made by the Chief Auditor, State Trading Schemes. I have no objection to follow the procedure now suggested by the Accountant General i.e. to value the bye-products (duppion silk and silk waste) at their average selling rates and to treat the balance of expenditure as cost of production of raw silk. If Government agree, the procedure will be adopted from the year 1949-50 onwards.

OFFICE NOTE.

The proposal of the Director at 'B' above may be accepted as it is based on the suggestion of the A.G. at 'A' above.

PTO

Fin (Accts)

The proposal at 'B' on p 3 above, which is based on the A.G's suggestion may be agreed to in fin also.

10.8.50

14850

17/8/50

REMARKS OF THE A.G.

III. *Trading account.*—The sales during the year 1948–49 amounted to Rs. 14,55,332 (as per details given below).—

	Rs.
First half	3,06,555
Second half	11,48,777
Total ..	14,55,332

as against Rs. 7,20,061 and Rs. 21,57,563 during the years 1947–48 and 1946–47. The increase in the sales was due to a good demand for silk produced at the Filatures consequent on the lifting of the controls during the year. A major portion of the stock relating to 1946–47 which was produced at a higher cost has been disposed of during the year.

A sum of Rs. 11,317 has been paid as commission to agents appointed for sale of silk with reference to the orders of Government in G.O. No. 1406, Development, dated 20th March 1948. The system of sale of silk through agents on commission basis is reported to have since been discontinued—vide also paragraph VII infra.

A sum of Rs. 6,617 being the value of stock found deficit during stock verification is included in the value of closing stock, as sanction to the write-off of the value is still awaited. Similarly a sum of Rs. 321 being the value of fabrics lost by theft is also included in the value of closing stock in weaving section as sanction to the write-off is still awaited. It has so far been the practice to value the closing stock of silk at the actual selling rate ruling on last day of the trading period (vide Annexure F). Duppion silk and silk waste, the by products have been valued at Rs. 10 and Rs. 2 per lb., respectively, which have been fixed as their saleable value. The procedure of valuing the closing stock of silk at selling rate requires, however, to be reconsidered. The correct procedure would be to value the closing stock at the cost of production inclusive of overhead charges as in other commercial concerns, as for example cinchona, Kerala Soap Institute, etc. The suitability of revising the procedure and to adopt the valuation based on the cost of production may be considered by Government.

REMARKS OF THE D.I & C.

ParaIII. Trading Account. As the sound and correct method with regard to the basis of valuation of stock in trade and which has been generally accepted by all, is to value the stocks at all-in-cost of production or simply designated as "cost" or market prices whichever is lower on the date of stock taking, I suggest that this method may be ordered to be adopted as Audit can have no objection to this procedure being adopted. A sound policy is always to estimate the cost or market value on a most conservative basis as otherwise we may be reckoning on unrealised profits.

OFFICE NOTE.

The Director's report is silent on the observation of the A.G. at 'A' above. The Director may be asked to offer his remarks immediately on this portion of the report. A draft Memo. is submitted.

2. With reference to the suggestion of the A.G. at 'B' above, the remarks of the Director at 'E' above may be perused. In the circumstances stated by the Director it is for consideration whether the suggestion of the Director to value the stock at all-in-cost production or market prices whichever is lower on the date of stock taking will be agreed to.

3-8-50.

P T O

To A.S.

B on p. 5 ante. No orders have been issued by the Govt. as no proposals from the Dir. have been received so far.

14850 14850

[illegible] 14850 Pl call for new Mrs

Fin (Accts)

B on p 5 above: Write off of losses (para 1 of) In view of the Memo (already issued) on p 5 cf no remarks are called for.

'c' on p 5 above: Valuing the Closing stock of silk:

As it is stated that the procedure to value the Closing stock at the Cost of production inclusive of overhead charges is followed in other Commercial Concerns Eg. Cinchona, Kerala Soap Institute etc it seems desirable that the same procedure is followed in respect of Silk Filatures for purposes of uniformity B on p 5 ante

This is the view of Dev. Secy and may be Concurred in

Rs. 10.8.50 14/8/50

14850

Further remarks by the DIC

I invite a reference to this office letter No.4955 DI/48 dated 1-9-49 wherein I had already reported to Government that out of Rs. 321-0-6 which is the total value of fabrics lost, 50% had been recovered from the sentries who were on duty and that the balance of the 50% was written off by me. not put up

As regards the deficit in the stock of silk to the value of Rs.6617/- found at the time of the stock verification, I have to state that the Sericulture Expert has been asked to explain the reasons for the shortage and his reply is awaited. I have reminded him to expedite submission of his report and I shall submit my remarks on receipt of his report.

Dev. dept note

Further report of the Dir promised as N above awaited

87250 9/8/50

REMARKS OF THE A.G.

IV. *Combined manufacturing and trading account of weaving section.*—An experimental weaving section was installed in the Filatures as a temporary measure during the year 1947-48 with reference to the orders contained in G.O. No. 3419, Development, dated 25th June 1948. The question of retaining this as a permanent measure and to introduce the working on power-looms is stated to be under consideration. A combined manufacturing and trading account in respect of the weaving section has been prepared. The working of the weaving section during the year has resulted in a profit of Rs. 4,251 in respect of sales to an extent of Rs. 26,355 which has been taken to the main profit and loss account of the Filature as a whole. The profit in respect of this section during 1947-48 was Rs. 1,249 in respect of sales to an extent of Rs. 8,930.

Silk issued to the weaving department has been priced at the ruling selling rates at the time of issue and not on the actual cost of production. The selling prices of fabrics from the weaving section are so fixed as to allow a flat margin of eight annas per yard to cover incidental expenses and a small margin of profit, in accordance with the orders of the Government in G.O. No. 3419, Development, dated 25th June 1948, as amended by Government Memorandum No. 93082 D1/48-1, Development, dated 13th September 1948. A further addition of fixed rates of Rs. 9 and Rs. 7-4-0 for organzine and tram respectively towards throwing charges has been made to the selling rates of silk, in accordance with the orders of the Director of Industries in his No. 3869-D/46, dated 27th April 1948, reproduced as annexure to the Government Order referred to above. The adequacy or otherwise of this addition will have to be considered by Government while fixing the selling rates of finished fabrics, as this addition appears to be in excess of the actual throwing charges which are stated to be about Rs. 6 per pound. The rates at which issues of silk from stock to the weaving section are to be made will have also to be fixed with reference to the actual cost of production of silk.

REMARKS OF THE D.I & C.

Para IV. Silk issued to weaving section. As the weaving section is worked on an experimental basis only and as our main scheme is production of raw silk, the procedure adopted at present in regard to transfer of raw silk to the weaving section on the selling or market rates on the date of issue may be allowed to be continued till the weaving section is established on a permanent footing. In respect of the Twisting charges viz. Rs.9/- and Rs.7-4-0 per lb. the position has been since examined after the installation of the twisting plant at the Government Silk Filature and as it was found that the actual twisting charges work out to only Rs.7/- and Rs.2-5-0 for organzine and tram silk respectively, I have permitted the Sericultural Expert to adopt the latter rates.

OFFICE NOTE.

With reference to the suggestions of the A.G. at 'B' above, the remarks of the Director at 'S' above may be perused. In the circumstances explained by the Director, the existing practice to transfer silk to the weaving section on the market rates on the date of issue may be continued till the weaving section is established on a permanent basis will be agreed to.

The Director has already permitted the Sericultural Expert to adopt Rs.7/- and Rs.2-5-0 for twisting and for organzine and Tram silk respectively. The Director may be asked to submit a report on the basis on which these rates were fixed. A para is added to the draft memo. submitted.

PTO

Fin (Accts)

The proposal of Dept at 'A' on p7 above may be agreed to in Fin.

Rs. 2.8.50 14/8/50

In the case of closing stock it is proposed to accept the A.G's suggestion to value the stock on the basis of the cost of production, instead of at the actual selling rate ruling on the last day of the trading period. In regard to silk issued from stock to the weaving section, also the A.G. suggests that that the rate should be fixed with reference to the actual cost of production of silk. The D.I.C. however wants to continue the present practice of valuing the silk issued to the weaving section at the selling or market rate ruling on the date of issue, till the weaving section is made permanent. It is not clear what difficulties will arise, if the A.G's suggestion is given effect to, while the weaving section is yet temporary Dept may be requested to consult the D.I.C further on the point.

Pth 5 - balance

B on p7 above

S on p7 above

F

14/8/50

Dev. Deptt.

N.O.A.S.

With reference to Finance deptt's notes on P.8 ante a para has been added to the memo. submitted below

23.8.50 2385

Further Remarks of the D.I & C.

I have called for the remarks of the Sericultural Expert in the matter and shall send my reply on hearing from him.

Dev deptt ante

Further report from the DIC may be awaited

2385

1.11.50

Fin (Accts)

Pending receipt of the further report ~~refer~~ from the Dy DIC, no remarks are called for.

5.11.50

4.11.50

4/11/50

Further report of the DIC

The charges fixed by us for organzine and tram silk are higher than those levied by private parties at present which are only about Rs.5/- and Rs.2/- a lb. respectively. The private parties are reported to vary the rates according to the conditions obtaining in the market.

Dev. deptt. ante

The charges fixed by the Dev and those adopted by private parties are compared below

	charge fixed by the DIC	charge by private parties
for organzine	Rs 7 a lb.	Rs 5 a lb
for tram	Rs 2-5-0 a lb.	Rs 2 a lb

In view of the difference in the charges, the charges for organzine may be Rs 6 a lb and for tram Rs 2-4-0 a lb.

81250

12.8.50

REMARKS OF THE A.G.

P 69

V. *Financial review.*—The working of the Filatures during the half-year under report has resulted in a net loss of Rs. 87,707. The loss for the year as a whole was Rs. 1,35,079 as against Rs. 82 411 in 1947–48. The total sales of silk during the year were 52,630 lb. Out of this about 25,000 lb. relating to stock of 1945–46 and 1946–47 were disposed of during the year at prices lower than their cost of production.

The loss was also to some extent necessarily the result of the closure of the Filatures first from 19th July to 30th September 1948 for nearly two and a half months and again from 8th March 1949, notwithstanding the retrenchments effected, consequent on the closure and reduction in the number of reeling basins gradually as a result of the conservative policy adopted in the stocking of cocoons. As stoppage of work in the Filatures even without payment of any ex gratia wages to workers has been estimated under existing conditions to involve a loss of Rs. 15,600 per mensem, the desirability of revising the present policy in regard to purchase of cocoons with a view to stocking of requirements, stated to be scientifically possible with the facilities available at present, to enable the continued working of the Filatures during the lean months also, though with reduced number of basins, may be considered as also measures to secure this end.

M

Further in view of the fact that the "Government Silk Filatures" containing 424 basins are not worked to full capacity—

First half	47,372
Second half	87,707
Total ..	1,30,679

N 3

and as the possibilities of utilizing the plant and machinery of the "Kollegal Silk Filatures" which contains 150 basins for production appears to be remote, the question of the disposal of the idle "Kollegal Silk Filature" plant and machinery, etc., may be considered by Government. If the plant and machinery are disposed of, the reduction of the present depreciation and interest charges on a capital of about Rs. 1,05,460 (as on 1st April 1949) will aid to a large extent in the reduction of the present overheads.

	Average active basins.		Average active basins.
April 1948	212	October 1948	169
May 1948	147	November 1948	190
June 1948	180	December 1948	165
July 1948	199	January 949	87·5
August 1948	Nil.	February 1949	86
September 1948	Nil.	March 1949	88

REMARKS OF THE D.I & C.

Para V sup. 2 b g.

Para V. Financial Review. The year 1948-49 was perhaps the worst period for the filature industry in India when it suffered most due to terrible slump in the silk market caused by large scale imports of foreign silk at ridiculously low prices. As pointed out by audit, about 25,000 lbs. of silk had to be sold during the year at prices lower than their cost of production. In spite of this, the stocks held at the filature were still heavy and as there was no indication as to the future import policy to be followed by the Government of India we had necessarily to take a conserative policy in the purchase of cocoons. Looking back at the state of affairs then existing I feel that the purchase policy adopted was fully justified as it resulted in limiting the losses to the minimum. It may be mentioned in this connection for the information of Government that the contemporary filatures in Mysore State are reported to have suffered much severe losses during the period.

B

In regard to the Accountant General's suggestion for the disposal of the idle "Kollegal Silk Filature" plant and machinery, I have only to state that the present unsatisfactory state of affairs may be only a temporary phase and that when the position improves it may be possible to run this filature also or to utilise it for other purposes viz. for locating the weaving factory etc. It is very undesirable as we have so often maintained in arguing the case filed by the old Kollegal Silk Filatures Ltd. to sell the Kollegal Silk Filature to a private party and allow it to be worked as the resulting rivalry will only prove ruinous. The buildings are at present being utilised to house some of the offices of the subordinates of the Sericultural Expert, Kollegal; for the storage of grains by the Kollegal Cooperative Stores etc. and some revenue is being realised. The position will however be watched for two years and action taken if it becomes

S

necessary to dispose off the Kollegal Silk Filature.

OFFICE NOTE.

The circumstances under which there was loss in the working of the Silk Filatures are explained by the Dir at 'B' on p.9 above.

As regards the suggestion of the A.G. to dispose of the idle "Kollegal Silk Filatures" plant and machinery, the remarks of the Director at 'S' on p.9 above may be perused. In the circumstances stated by the Director, it is for orders whether the suggestion of the Director to watch the position for two more years before disposing of the Kollegal Silk Filature may be aceepted.

K.

1-8-50. 28/8/50

28/8/50

J.S.N P.T.O

what's the present position re winding up the K.S. Filatures?

J.S.N

TO A.S.

~~Subordinate that at present there is no proposal to wind up the Kollegal Silk Filatures.~~ The A.G. in his present audit report has suggested the disposal of the idle Kollegal Silk Filature plant and machinery. The Dir. however considered it too early to come to a decision in the matter for the reasons given at portion S on page 9 above and suggests that the position may be watched for two more years before disposing of the Kollegal Silk Filatures.

4/8/50 1.8.50

4/8/50 As given related to the legal proceedings for winding up

5-8-50

Fin. (Accts)

While discussing the reasons for the loss incurred by the Filatures during the ~~half~~ year under report, the ~~A G~~ has raised the question of the desirability of revising the present policy in regard to purchase of Cocoons for stocking to enable the Continued working of the Filatures during the lean months also - vide portion M on p.9 above. The D I & C has not offered his remarks on the point. Dept may be requested to obtain them.

2. As regards the question of disposal of the plant and machinery etc relating to the "Kollegal Silk Filatures", Fin may agree with the A.G. that the question may be considered with a view to effecting a large reduction in the present overhead costs.

DLQ
14850 14/1/1614

Dev. Dept.

To AS

With ref. to para 1 of Fin. notes above a ~~doc~~ para has been added to the memo. submitted below.

Ill - Ot
23.8.50 2388

2385

P 37/CP ~~Further~~ Remarks of the D.I & C.

Mb 9 above

The suggestion of the A.G. that sufficient stock of cocoons should be built up during seasons to tide over the lean months is sound in principle, but its practicability is limited on account of the fluctuating conditions of the silk market, accentuated particularly due to the absence of a steady policy in regard to imports of raw silk. It may be however mentioned in this connection that ~~xxx~~ with a view to build up adequate stocks, the sericultural expert was authorised to purchase un-

unrestricted quantities provided the price did not exceed a certain prescribed limit. I may add that no efforts are being spared to ensure continuous working of the filature by building up sufficient reserves of cocoons.

Dev deptt note

In the circumstances reported by the DIC in his further remarks above, no further action appears necessary. Dir may see

21/11/50

1.11.50 Dir

Fin (Accts)

Finance may concur in the view of Deptt. expressed at 'A' above, in view of the reasons furnished by the Dy DIC. A 5.11.50

4.11.50 - It is presumed that Dept. will take action separately with reference to para 2 of the Dy DIC's suggestion on page 10 (a) above. M

5.11.50

Dev deptt

With ref to ~~on~~ above, attention to this deptt note at K on p 10 above is invited. The DIC has given sound reasons for his suggestion to watch the position for two more years before disposing of the Kollegal Silk Filatures. The further remarks of Dir in this regard are awaited

17/11/50

17/11/50

Fin (Accts)

~~Although the DIC has suggested~~
~~Finance may agree with the DIC's suggestion~~;
that the question of disposal of the idle plant and machinery may be considered after watching the position for two more years, ~~DIC may be requested to review the position after two years~~ Finance may advise that he may be asked to review the position a year hence. 5

25/11/50 25/11/50

26.11.50.

Dear deputy sir/s

This suggestion as s or p 10 (b) can also

may be accepted

8/2/25

9/2/25

REMARKS OF THE A.G.

VII. Contract for sale of Government silk by agency system.—In connection with the sale of Japanese silk allotted by the Government of India to this Province, it was decided to include in the agency system the sale of silk produced at Government Filatures, also. The accepted tenders stipulated, among other terms, that the minimum sale of silk per month should be 3,000 lb. and the payment of a commission of one per cent on sales by the agents. The tenders of the three applicants noted below were accepted in Director's letter No. 6101-D/47 dated 20th May 1949, subject to the execution of an agreement by each of them:—

Messrs. Donti Venkatesiah Chetty & Co., Messrs. V. K. Srinivasa Setty & Co., and Messrs E. V. Parasiva Murthy & Co.

It appears to have been subsequently agreed to modify the terms, as under:—

(i) The minimum monthly sales should be based on a monthly *average* sale of 3,000 lb. of silk or minimum of 36,000 lb. per year and

(ii) that the agents should also be given the commission of one per cent on sales effected direct by Government without the intervention of the agents (vide letter, dated 19th July 1948, from Donti Venkatesiah Chetty on pages 15 and 16 of file).

These terms were embodied in a draft agreement which was sent to the three selected agents (who had already commenced to function) with letter No 4059 D1/48, dated 20th November 1948. The agreements were not, however, executed even as late as 5th April 1949, when it was decided to terminate the agency system as no longer necessary, by giving three months notice as provided for in the draft agreement and no further action was taken for finalising the agreement. In this connection it was also held in consultation with the Government Solicitor that the agency were not entitled to the commission on sales by the department (vide Director's letter No. 4059-D1/48 dated 30th May 1949 and Government Solicitor's opinion in his letter No. 2,217 dated 15th June 1949 and subsequent correspondence). As the Director held that he had not contracted to the payment of this commission, commission outstanding payment at the time, amounting to Rs. 424-13-0 asunder was withheld.

Name of agent.	Period of sale by department.	Amount of commission. Rs. A. P.	Rs. A. P.
1 Donti Venkatesiah Chetty ..	10th February to 24th March 1949	271 12 0	
2 G. Parasiva Murthy & Co.	28th February 1949 ..	30 0 0	153 1 0
	17th to 29th March 1949 ..	123 1 0	
	Total ..	424 13 0	

The following payments already made (vide letter No 2483-C/49 dated 7th September 1949 from the Sericultural Expert) should, therefore, be recovered from the parties or otherwise regularized by Government:—

Name of agent.	Period of sale by department.	Amount of commission. Rs. A. P.	
1 Donti Venkatesiah Chetty ..	30th August to 3rd October 1948 ..	115 3 0	(Vr. 232 of 11/48).
	22nd November to 15th December 1948 ..	672 5 0	(Vr. 80 of 1/49).
	7th January 1949	120 1 0	(Vr. 76 of 2/49).
2 G. Parasiva Murthy & Co.	18th November to 13th December 1948	445 2 0	(Vr. 63 of 1/49).
	24th January 1949 ..	15 4 0	(Vr. 73 of 2/49).
	Total ..	1,368 5 0	

REMARKS OF THE D.I & C.

VII. Contract for sale of Govt. Silk by agency system.

Para VII of p. 9 The agents are really entitled to the commission on the sales of silk done directly by the department also as per terms of the draft agreement (this is in line with the practice followed in the ~~Kollegal~~ Soap Institute and the Government Oil Factory, Calicut) and the Sericultural Expert allowed them commission on such sales till he was told not to do so following the decision not to get the agreements executed. The finalisation of the agreement in consultation with the Government Solicitor took a long time and as most of the silk had been

sold by them, it was felt no useful purposes would be served in getting the agreements executed. As the commission paid to the agents by the Sericultural Expert was based on the assumption that the agreement would be duly executed, I request that the payments made may kindly be regularised by the Government by according sanction to the expenditure of Rs.1,368-5-0.

OFFICE NOTE.

In the circumstances stated by the Director, sanction may be accorded to the write off of Rs.1,368-5-0 being the commission paid to the Agents irregularly.

This could have been avoided if the Director had consulted the Government Solicitor in preparing draft agreements as to whether the agents are eligible to Commission on the sale of silk by the Government Department. The Director may be asked to state whether the draft agreements were prepared in consultation with the Govt. Solicitor in the first instance and if not, why not ~~a para is added accordingly in the draft memo. put up~~

A 28/5/50

B 28.5.50

K 28/5/50

PTO

Finance

Fin (Accts)

The proposal of Dept at 'B' above may be agreed to in Fin. The question of write off referred to at A above may be considered after the report on B above is received

14/8/50

Dev. Dept.

To AS

The suggestion of Finance above may perhaps be agreed to in this deptt. Portion K above has been embodied in the draft memo. put up.

Remarks of the D. I & C.

The draft agency agreement was prepared only in consultation with the Government Solicitor, Madras.

Dy. Director of Industries

It appears that commission was paid irregularly to agents before the draft agreement was drawn up. No action appears called for. Dy. may see.

Dy. 1.11.50

Asst. (Accts)

In view of what the D of I & C. has now stated, it appears necessary to write off the amount of Rs 1,368.5.0 being the commission irregularly paid to the Agents. Dept. may take action accordingly.

Rs 4 11 00

11.11.50

5.11.50

REMARKS OF THE A.G.

VI. Balance Sheet.—(i) *Capital.*—The opening capital includes the leave and pensionary contribution interest, and audit fees up to 30th September 1948 capitalized as the concern has been required to be treated as a commercial one.

(ii) *Interest.*—Rs. 21,231. The details of calculation are given in Annexure B.

(iii) *Audit fees.*—Rs. 910. A sum of Rs. 910 representing the audit fee calculated at Rs. 70 per working day for a party of three auditors has been adjusted in the accounts.

(iv) *Direction charges.*—Rs. 2,500 1-0. This is adjusted with reference to Director's letter No. 2629-D1/48, dated 17th May 1949

Assets.—(v) *Land and buildings.*—Rs. 4,53,[illegible]14-6-7. A register of fixed assets showing the value of the several assets has not been kept. It is suggested that a register should now be opened and the values of the several assets classified according to land, buildings, plant and machinery, scientific instruments, etc., for which different rates of depreciation have to be allowed, entered therein. A statement showing the details of the values of the several assets as on 31st March 1949 is at Annexure C.

The rates of depreciation now charged in the accounts are based on the orders of the Director of Industries and Commerce in his Memorandum No. 4743-D/45, dated 28th February 1947. The rates of depreciation to be charged to the several assets and the method of charging the depreciation has now to be determined with reference to the procedure obtaining in other commercial concerns.

The amount charged as depreciation includes a sum of Rs. 4,320 towards depreciation of the assets of the "Kollegal Silk Filatures" taken over by Government.

In his letters No. 1738-D1/48, dated 23rd April 1949 and No. 2062-D1/49, dated 13th November 1949, the Director of Industries and Commerce has addressed the Government for the creation of a profit reserve account and depreciation reserve fund. Pending final orders of Government, depreciation has been charged in the profit and loss account by credit to various assets. The profits accrued up to 1946-47 were Rs. 6,76,396 and losses during 1947-48 and 1948-49 were Rs. 2,17,490. The net profit shown in the balance sheet is the amount arrived at after adjusting the losses from the profits to end of 1946-47.

(vi) *Sundry debtors and sundry creditors.*—A statement showing the details for the above are given in the statement Annexure D.

(vii) *Stock in process.*—Rs. 2,351-3-9. This represents value of the stock in the weaving section as estimated by the Sericultural Expert.

(viii) *Cash on hand.*—Rs. 9,440-0-1. This represents the sum total of the balances held in office as well as the advances held by the Market Officers.

REMARKS OF THE D.I & C.

Para VI. Balance Sheet. The Sericultural Expert has been asked to open and maintain a register of fixed assets as suggested by the Accountant General as from 1.4.50. The rates of depreciation charged for the buildings, plant and machinery in the filature are based on the rates prescribed in the Incometax Manual, 1946 edition and agreed to by the Chief Auditor, State Trading Schemes who audited the accounts of the filatures so far. The Accountant General, Madras has raised a similar objection in the audit report relating to the Keral Soap Institute, Calicut. I shall examine the position with reference to the procedure obtaining in other commercial concerns under this department and in consultation with the Accountant General and revise the rates and the method of charging depreciation, if found necessary.

OFFICE NOTE.

With reference to the suggestions of the A.G. at 'B' and 'S' above the remarks of the Director extracted above may be perused. In the circumstances stated no action seems called for. However he may be asked to intimate to the Accountant General the action taken by him

As regards 'M' above, it is submitted that orders

have been issued creating a Depreciation Reserve Fund with effect from the year 1950-51 to replace the worn out machinery etc. of the Govt. Silk Filatures, Kollegal. No separate action on this seems called for.

P.T.O

Fin (Accts)

Finance may agree to the proposal of Dept at 'A' on p 11 above.

Dev

with ref to A on p 11 above, a para is included in the draft annual pertaf.

Remarks of the D. I & C.

I have informed the Accountant General that the rates of depreciation now being charged for the various assets at the Govt. Silk Filature Kollegal are satisfactory and there is no need for the revision of the existing rates. As regards the method of calculating depreciation, I have suggested that the existing "deminishing balance" method may be replaced by the "straight line" method so as to be in line with the system being adopted in the other commercial concerns under the control of this Department subject to the approval of the Accountant General. I shall take further action in the matter. As regards the A.G's suggestion to open a register showing the several assets, the Sericultural Expert has been instructed to take necessary action.

Dev dept. note

The DIC may please asked to report the date on which a register showing the several assets is opened.

Fin (Accts)

No remarks.

Para VIII (a) p. 9 ag

REMARKS OF THE A.G.

VIII. *Losses in the process of cleaning, winding, bleaching, etc.*—It was explained that no orders fixing the maximum percentage of loss that would occur in the process of drying the cocoon, cleaning, winding and bleaching silk have been issued. It was, however, reported that the following are the normal percentages of loss:—

	Per cent.
1 Loss in drying cocoons	9
2 Loss in cleaning silk	1
3 Loss in winding silk	1
4 Loss in bleaching—Good silk	22 to 25
Sub-standard silk	28
Duppion silk	30 to 35

In order to ensure that there are no abnormal wastages in these processes, it is desirable that orders are issued fixing a maximum percentage for these losses.

REMARKS OF THE D.I & C.

Para VIII. Losses in the process of cleaning winding, bleaching etc.

Para VIII A p 27 ag.

The Sericultural Expert has already been conducting experiments since some time now to assess the percentage of loss in the various processes pointed out by audit and I have already approved the following percentages..

	Max. loss.
1. Loss in drying of cocoon.	9.2%
2. Loss in cleaning silk	1%
3. Loss in winding silk	1%

H — A

In regard to the maximum loss that may be allowed in bleaching silk, orders will issue very early.

OFFICE NOTE.

~~No remarks in view of 'A' above.~~

A

28/1850

The Dir may be asked to intimate to the Govt in due course the action taken in regard to the percentage of loss in bleaching silk.

28/1850

3850

3.8.N

Fin (Accts)

A above: The Director may be requested to expedite the issue of orders.

Rs. 12.8.50 AN 17/8/50

14.8.50

Deo

N above has been embodied in the draft memo. putup.

28/1850

Further Remarks of the D. I & C.

I have fixed the following limits upto which loss can be allowed in bleaching silk.

Good silk	22%
Sub Standard silk	28%
Duppion Silk	30%

Dev dept note

No remarks

31/10/50

Further remarks of the DIC

I invite reference to para VIII of the audit on the accounts of the Government silk Filatures, Kollegal for the period 1-10-48 to 31-3-1949 wherein the Accountant-General has pointed out that maximum percentage for the losses in drying cocoons, cleaning, winding and bleaching processes of silk should be fixed. I have reported to Government in this office letter No.2123 DI/49 dated 24-7-50, the percentages fixed already in the case of drying cocoons, cleaning and winding silk and in this office letter No. 2123 DI/49 dated 13-10-1950 the maximum percentages fixed in the case of bleaching silk. The Accountant General, Madras has now stated that approval of Government for the percentages of losses fixed viz. good silk - 22%; substandard silk 28%; and Duppion silk 30% by me were based on the experience gained in the weaving section from 1947-48 and 1949-50 and as they are considered reasonable I request that Government may be pleased to approve the same at an early date.

Dev - dept note

The maximum loss suggested by the Dev for bleaching silk was fixed for drying cocoons and cleaning and winding silk may specifically be approved by the Govt. for being used accordingly.

31/10/50

Para IX on P.9 ej.

REMARKS OF THE A.G.

IX. *Cost accounts.*—No process cost accounting is maintained to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc., (4) cost of silk made into organzine and tram for weaving purposes, ect. An efficient costing system will, if introduced, enable the administration to detect any leakages and idle time. For this purpose, the factory over heads may be distributed in proportion to the direcet labour employed in each process. It is, therefore, suggested for consideration whether process costing cannot be introduced in the factory and if Government approve; orders may kindly be issued for their maintenance and the method to be adopted for the distribution of factory over heads.

REMAKS OF THE D.I & C.

Para IX. Cost accounts. The Sericultral Expert, Govt. Silk Filatures, Kollegal has explained that if the costing system as described by the Accountant General to assess the cost of production at every stage viz. (1) cost upto the stage the cocoons are sorted and issued for reeling (2) cost after reeling, (3) cost of silk produced after cleaning, baling etc. should be introduced, it is necessary that a separate cost accountant has to be appointed for the purpose. He further reports that it is not necessary now that this system should be introduced as we are concerned with the problem of devising ways and means for effecting a continuous working of the filature without any interruption and that when this has been satisfactorily solved, the suggestion of the auditors for introducing a cost system of accounts in the filature may be considered. I agree with the views of the Sericultural Expert, Government Silk Filatures, Kollegal and suggest that the question may be deferred.

OFFICE NOTE.

B | In the circumstances explained by the Director the suggestion of the A.G. to introduce process costing in the factory may be deferred as recommended by the D.I & C.

For orders.

W 1810 Dr 2880

Ur 8850 Dr 9.8.10

Fin (Acts)

End

In the circumstances explained by ~~the~~ D I & C the proposal of Dept at 'B' above may be agreed to in Fin. ~~Acts~~

Acts 12.8.10 Fin 17/8/10

DDR 14.8.10

Dev (DI)

Sub: Industries - Sericulture - Govt Silk Filatures Kollegal - Audit Report of the Filatures for the period from 1-10-48 to 31-3-49.

C.No 31371/DI/50

Ref: Letter from the A.G., Madras No. GA 33 f-50/49-50/T25 dated 6-4-50

To A.S.

Please see the letter from the A.G., Madras on ff 1-2 c f. forwarding the Audit Report (on the accounts) of the Govt Silk Filatures, Kollegal for period from 1-10-48 to 31-3-49 after its commercialisation. A copy of the report has been sent to the D.I.C also. His remarks on the Report may be awaited till 18-6-50 with reference to para on f 1 c f. The Report may be sent to the S.G.P Madras for printing the Report and supplying copies. Subject to orders a draft Memo submitted below for approval.

18/4/50 19.4.50.

1945

[Issued as G.O. No. 3137/1 DI-50 dt. 20.4.50]

From the D.I.C. letter No. 2123-DI/49 DI 24.7.1950.

To A.S.

The Govt. Silk Filatures, Kollegal which was a State Trading Scheme till the 30th September 1948 was treated as a regular Govt. commercial concern with effect from the 1st October 1948. The A.G., Madras audited the accounts of the Govt. Silk Filatures, Kollegal for the period from 1st October 1948 to 31st March 1949 and forwarded the audit report. The remarks of the D.I.C. on the report are at pages 25-27 c f. The remarks of the A.G. and the replies of the D.I.C. are dealt with in the Sectional notes below. After orders are passed, the file may be sent to finance department for remarks

I(B) 1.8.50

1.8.50. 28.50

S. I. I.

To AS.

Queries of secy. on pp 5 and 10 of the Sectional notes on pp. 6 and 10 of the Sectional notes have been answered. The file may be submitted to secy.

4.8.50 — 4.8.50

10.8.50 — 5.8.50

Finance Dev no. Ms. 5/37/1 Nf/50

Fin (Accts)

The remarks of this Deptt. have been added to relevant pages of the Sectional Notes below. After orders are passed thereon, the case may be returned to Dept.

The case deals with the several points noticed by the A.G. in his audit report on the accounts of the Govt. Silk Filatures, Kollegal for the period 1.10.48 to 31.3.49. Orders are solicited on the Sectional notes placed below

4.8.50 — 11/8/50 — $ (Nos 8, 10(a) & 17 of notes) other than of a routine nature

Dev Deptt 8.8.50

To AS.

please see the notes of Finance deptt. above. Finance deptt. accepted the views of this deptt. in the sectional notes on pp. 1, 3, 5, 11, 15 and 17. With reference to Finance deptt's notes on pp. 8, 10(a) and 14 of the Sectional notes. A draft ROM is submitted below for consideration.

23.8.50 — 23.8.50

23.8.50

Issued as Memo No 31371-onI/50-5 of 238.
From the DECHO 2123 D1/49 of 17850
Issued as Memo No 31371 onD/50-6 of 6950
From the DIC No 2183 D1/49 of 1 13.10.50.

To DS

Further remarks of the DIC in his letter as pp 37-39 ante have been taken to sectional notes and examined. Vide pages 2, 8(a) 10(b), 12, 14(a), 16 of sectional notes thereon except passed. The case may be sent to DIC for further remarks.

10 OCT 1950 D5353

31.10.50

Dated 31.10.50

SECTIONAL DEPUTY SECRETARY 2 NOV 1950 91189 FINANCE DEPARTMENT

Finance (Accts)

(Finance Case on p 2 above)

The remarks of this deptt. have been added to pp 2, 8(a), 10(b) 12 and 14(a) of the Sectional notes. After orders are passed thereon the file may be returned to Deptt.

5.11.50 Dep

+11.50

11.11.50

112808

Fin No 91189 Accts-1

5-11-50

Dep and this deptt have agreed on all the points raised in the Sectional notes except the one at (p 10(b)) of the Sectional Note Further notes of this deptt with reference to which point has been added. Dep may see the case again.

10 NOV 1950 FINANCE DEPARTMENT

7.11.50 Fin

Fin (Accts)

Dep No 31371-onI/50-10 FOURTH ASSISTANT SECTIONAL OFFICER GOVERNMENT 17-11-50 29 NOV 1950 85853 Accts I

Further notes of Fin. have been added on p 10(b) of the Sectional notes. After orders are passed thereon, the file may be returned to Dep

1-20466 11.50 Dept

4 -

[From the DIC no. 2123 A1/49 g. 23150
From the DIC no 2123 D1/49 g 23150.]

To AS

Dn' note on p 3 above may be perused

2. The points raised by the DIC in his letter at Pp 48(a)/48(b) are noted on the sectional notes at pp 49-49 cf. The point raised by Dn at p 10 © of the sectional note. Subject to orders thereon, a draft order is submitted. Dniance may see before issue.

Dw. no. 31371 MI/SD.11
9.12.50.

8/12/50

ASSISTANT SECRETARY TO GOVERNMENT
10158
DEC 1950
FINANCE DEPARTMENT

Finance (Accts)

[Finance last saw on p 3 above]

The draft order below, which covers the orders passed in the Sectional Notes, may be perused. (The figures in the draft may be written in words also)

13/12/50

In inso Dept

PUNJAB ASSISTANT SECRETARY TO GOVERNMENT
19 DEC 1950
DEVELOPMENT DEPARTMENT

To AS.

127906 Dept

Dev. Dept

Fin note above may be perused. The draft order below may now issue.
(The figures in paras 5-8 of the draft have been specified in words also)

Fin
D/15/12
14-12-50

27/12/50

My 2.8.12.50
DS.
27/12/50